

APPENDIX A
PROPOSED CONDITIONS TO FCC ORDER APPROVING
SBC/AMERITECH MERGER

As a condition of exercising the grant authorized herein, SBC and Ameritech shall comply with the following enumerated Conditions. For the purposes of these Conditions, the term "Merger Closing Date" means the day on which, pursuant to their Merger Agreement, SBC and Ameritech cause a Certificate of Merger to be executed, acknowledged, and filed with the Secretary of State of Delaware as provided in Section 251 of the Delaware General Corporation Law, as amended. The conditions described herein shall be null and void if SBC and Ameritech do not merge and there is no Merger Closing Date.

I. Federal Performance Parity Plan

1. Throughout the 13-State service area where its subsidiaries operate as incumbent local exchange carriers ("incumbent LECs"), SBC/Ameritech shall implement the Federal Performance Parity Plan ("the Plan") described herein in Attachment A. SBC/Ameritech affiliates shall not be eligible to receive payments from SBC/Ameritech under the Plan, nor shall any payments due such affiliates be used to calculate any caps associated with the Plan. Not later than 10 business days after the relevant deadlines under this Section I, SBC/Ameritech shall file with the Secretary of the Federal Communications Commission (the "Commission") notices regarding its satisfaction of the deadlines listed above. The requirements of this Section I and Attachment A shall terminate 45 months after the Merger Closing Date.

2. SBC/Ameritech shall implement the performance measures set forth in the Plan according to the following schedule.

a. Except as set forth below in this Paragraph 2(a), in Arkansas, California, Kansas, Missouri, Nevada, Oklahoma, and Texas (together with Connecticut, the "SBC States"), SBC/Ameritech shall implement performance measurements 1-2c, 3-5, 8-11, and 13-20, as shown on Attachment A-5, and provide 2 months of performance data on these measures by August 1, 1999. In these States, SBC/Ameritech shall implement performance measurements 2d, 6, 7, and 12, and provide 2 months of performance data on these measures, by November 1, 1999. Notwithstanding anything to the contrary in this paragraph 2(a), in California, SBC/Ameritech shall implement performance measurements 2, 13, and 17, and provide 2 months of performance data on these measures by November 1, 1999; and shall resolve minor differences in the business rules for performance measurements 1, 3a, 4c, 8, 9a, 16, and 20 by November 1, 1999, either by (i) changing the California business rules to be compliant with the Plan, or (ii) obtaining a waiver from the Chief of the Common Carrier Bureau permitting SBC/Ameritech to utilize the California business rules for these performance measurements in California. The obligation to pay liquidated damages to competitive local exchange carriers ("CLECs") and make voluntary payments to a public interest fund designated by the Commission, as set forth in the Plan, shall attach 9 months after the Merger Closing Date within the SBC States, except for Connecticut.

b. In Connecticut, SBC/Ameritech shall implement the performance measurements and provide 2 months of performance data no later than 12 months after the

Merger Closing Date, and the obligation to pay liquidated damages to CLECs and make voluntary payments to a public interest fund designated by the Commission, as set forth in the Plan, shall attach 15 months after the Merger Closing Date.

c. In Illinois, Indiana, Michigan, Ohio, and Wisconsin (the "Ameritech States"), SBC/Ameritech shall implement performance measurements 2, 3, 8-11, 14, 15, 17, 19, and 20, as shown on Attachment A-5, and provide 2 months of performance data on these measures, no later than 3 months after the Merger Closing Date. In the Ameritech States, SBC/Ameritech shall implement performance measurements 1, 4-7, 12, 13, 16, and 18, and provide 2 months of performance data on these measures, no later than 5 months after the Merger Closing Date. In the Ameritech States, the obligation to pay liquidated damages to CLCEs and make voluntary payments to a public interest fund designated by the Commission, as set forth in the Plan, shall attach 9 months after the Merger Closing Date.

II. Collocation Compliance Plan

3. In the 13-State service area where its subsidiaries operate as incumbent LECs ("the SBC/Ameritech States"), SBC/Ameritech shall provide collocation consistent with governing Commission rules, including the Commission's First Report and Order in CC Docket No. 98-147, FCC No. 99-48 (released March 31, 1999) ("Collocation and Advanced Services Order").

4. Prior to the Merger Closing Date, SBC and Ameritech shall, in each of the SBC/Ameritech States, have filed a collocation tariff and/or offered amendments containing standard terms and conditions for collocation, for inclusion in interconnection agreements under 47 U.S.C. § 252. Such tariffs and/or amendments shall contain all terms and conditions necessary to bring SBC/Ameritech's provision of collocation into compliance with the Commission's governing rules.

5. Prior to the Merger Closing Date, Ameritech and SBC shall retain one or more independent auditors to perform an examination engagement and issue an attestation report resulting in a positive opinion (with exceptions noted) regarding the terms and conditions offered in tariffs and amendments to interconnection agreements, and the methods and procedures put in place by SBC and Ameritech to comply with the Commission's collocation rules, including the collocation requirements contained in the Collocation and Advanced Services Order. The attestation report shall be in substantially the form provided as Attachment B.

6. Prior to the Merger Closing Date, Ameritech and SBC shall propose an independent auditor to verify SBC/Ameritech's compliance with the Commission's collocation requirements for the first 8 months after the Merger Closing Date. The independent auditor shall be acceptable to the Commission and shall not have been instrumental during the past two years in designing substantially all of the systems and processes under review in the audit, viewed as a whole. SBC/Ameritech shall engage the auditor within 15 days of the Commission's written acceptance of the proposed auditor. The independent auditor's report shall be prepared and submitted as follows:

a. Not later than 2 months after the Merger Closing Date, SBC/Ameritech shall submit preliminary audit requirements, including the proposed scope of the audit and the extent of compliance and substantive testing, to the Commission's Audit Staff ("Audit Staff"). The preliminary audit requirements shall be afforded confidential treatment in accordance with the Commission's normal processes and procedures. SBC/Ameritech shall consult with the Audit Staff regarding changes to the preliminary audit requirements, but Commission approval of the requirements or changes thereto shall not be required.

b. During the course of the audit, the independent auditor shall inform the Audit Staff of any revisions to the audit program; notify the Audit Staff of any meetings with SBC/Ameritech in which audit findings are discussed; and consult with the Common Carrier Bureau regarding any accounting or rule interpretations necessary to complete the audit. The independent auditor shall notify SBC/Ameritech of any consultation with the Common Carrier Bureau regarding accounting or rule interpretations.

c. The independent auditor shall have access to books, records, and operations of SBC/Ameritech that are necessary to fulfill the audit requirements of this Section. The independent auditor shall notify SBC/Ameritech's compliance officer of any inability to obtain such access. The auditor may notify the Audit Staff if access is not timely provided after notification to the compliance officer.

d. The independent auditor may verify SBC/Ameritech's compliance with the collocation requirements through contacts with the Commission, state commissions, or SBC/Ameritech's wholesale customers, as deemed appropriate by the independent auditor.

e. Not later than 10 months after the Merger Closing Date, the independent auditor shall submit its final audit report to the Commission's Audit Staff. A copy of the report shall be publicly filed with the Secretary of the Commission.

f. The independent auditor's section of the audit report shall include a discussion of the scope of the work conducted; a statement regarding SBC/Ameritech's compliance or non-compliance with the Commission's collocation rules; a statement regarding the sufficiency of SBC/Ameritech's methods, procedures, and internal controls for compliance with the Commission's collocation rules; and a description of any limitations imposed on the auditor in the course of its review by SBC/Ameritech or other circumstances that might affect the auditor's opinion.

g. For 2 years following submission of the final audit report, the Commission shall have access to the working papers and supporting materials of the independent auditor at a location in Washington, D.C. that is selected by SBC/Ameritech and the independent auditor. Copying of the working papers and supporting materials shall be limited. Any copies made by the Commission shall be returned to SBC/Ameritech by the Commission. The Commission's review of the working papers and supporting materials shall be kept confidential pursuant to the Commission's rules and procedures.

7. The audit required by this Section shall be in lieu of any other audit of SBC/Ameritech's compliance with the Commission's collocation requirements during the first

12 months after the Merger Closing Date that otherwise would be required under the Commission's rules.

III. OSS: Enhancements and Additional Interfaces

8. No later than the Merger Closing Date, SBC/Ameritech shall provide the Commission an Operations Support Systems ("OSS") Process Improvement Plan identifying and assessing SBC's and Ameritech's existing OSS and generally identifying the OSS changes that are needed to implement SBC/Ameritech's OSS commitments identified in this Section.

9. Within 24 months after the Merger Closing Date (assuming the duration of Phase 2 described below is no longer than 1 month), SBC/Ameritech shall develop and deploy in the SBC/Ameritech States, except for Connecticut, commercially ready, uniform application-to-application interfaces using standards and guidelines as defined, adopted, and periodically updated by the Alliance For Telecommunications Industry Solutions ("ATIS") for OSS, (e.g., Electronic Data Interchange ("EDI") and Electronic Bonding Interface ("EBI") that support the pre-ordering, ordering, provisioning, maintenance/repair, and billing of resold services, unbundled network elements ("UNEs") that meet the requirements of 47 U.S.C. § 251(c)(3), and UNEs or UNE combinations that are required by this Appendix. SBC/Ameritech shall deploy these same interfaces in Connecticut within 30 months of the Merger Closing Date (assuming the duration of Phase 2 described below is no longer than 1 month).

10. Within 24 months after the Merger Closing Date (assuming the duration of Phase 2 described below is no longer than 1 month), SBC/Ameritech shall develop and deploy in the SBC/Ameritech States, except for Connecticut, uniform graphical user interfaces for OSS (e.g., like SBC's toolbar interface) that support the pre-ordering, ordering, provisioning, maintenance/repair, and billing for resold services, UNEs that meet the requirements of 47 U.S.C. § 251(c)(3), and UNEs or UNE combinations that are required by this Appendix. SBC/Ameritech shall deploy these same interfaces in Connecticut within 30 months of the Merger Closing Date (assuming the duration of Phase 2 described below is no longer than 1 month).

11. Milestones applicable to the development and deployment of uniform application-to-application interfaces and graphical user interfaces are as follows.

a. Phase 1 – SBC/Ameritech shall complete a publicly available Plan of Record (which shall consist of an overall assessment of SBC's and Ameritech's existing OSS interfaces, business processes and rules, hardware capabilities, data capabilities, and differences, and SBC/Ameritech's plan for developing and deploying uniform application-to-application interfaces and graphical user interfaces for OSS). The target date for completion of Phase 1 is 5 months after the Merger Closing Date. No later than 3 business days after the target date, SBC/Ameritech shall file a notice regarding its satisfaction of this target with the Secretary of the Commission. SBC/Ameritech shall pay \$100,000 per business day in voluntary payments to a public interest fund designated by the Commission for a failure to meet the target date.

b. Phase 2 – SBC/Ameritech shall work collaboratively with CLECs operating in the SBC/Ameritech States, in a single workshop, to obtain written agreement on

OSS interfaces, enhancements, business requirements identified in the Plan of Record, and a change management process, including a 12 month forward-looking view of process changes and deployment schedule. The target date for completion of Phase 2 is 1 month after completion of Phase 1. Successful completion of Phase 2 is dependent upon the full cooperation of the CLECs in consummating a written agreement with SBC/Ameritech on the work to be done. The FCC Staff shall try to assist and encourage the parties to reach a written agreement. If SBC/Ameritech and all of the CLECs participating in the workshop reach a written agreement within one month after the start of Phase 2, SBC/Ameritech shall file a copy of that agreement with the Chief of the Common Carrier Bureau and proceed with Phase 3. If SBC/Ameritech and all of the CLECs participating in the workshop cannot reach a written agreement within 1 month after the start of Phase 2, SBC/Ameritech shall notify the Chief of the Common Carrier Bureau, and submit to the Chief of the Common Carrier Bureau a copy of SBC/Ameritech's plan for development and deployment of uniform application-to-application and graphical user interfaces for OSS and a list of the remaining unresolved issues in dispute. The Chief of the Common Carrier Bureau shall issue an order either (a) directing SBC/Ameritech to implement SBC/Ameritech's plan for development and deployment of uniform application-to-application and graphical user interfaces for OSS, or (b) authorizing SBC/Ameritech and the CLEC(s) to submit the remaining unresolved issues in dispute to consolidated binding arbitration. No CLEC(s) shall have the right to submit the remaining unresolved issues in dispute to consolidated binding arbitration, unless the Chief of the Common Carrier Bureau determines that arbitration is appropriate and in the public interest. No work shall begin in Phase 3 until (a) SBC/Ameritech is ordered by the Chief of the Common Carrier Bureau to implement the plan for development and deployment of uniform application-to-application and graphical user interfaces for OSS as submitted by SBC/Ameritech, or (b) SBC/Ameritech is ordered by the Chief of the Common Carrier Bureau to arbitrate the remaining unresolved issues in dispute and SBC/Ameritech receives the arbitrator's decision. Any such consolidated binding arbitration shall be conducted before an independent third party arbitrator in consultation with subject matter experts selected from a list of three firms supplied by SBC/Ameritech, which may include Telcordia Technologies, and in accordance with the Commercial Arbitration Rules of the American Arbitration Association. SBC/Ameritech shall pay 50 percent of the joint costs of the arbitration, and the CLECs that are parties to the disputed issues shall pay 50 percent of the joint costs of the arbitration.

c. Phase 3 – SBC/Ameritech shall develop and deploy, on a phased-in approach, the system interfaces, enhancements, and business requirements consistent with the written agreement obtained in Phase 2. To the extent that SBC/Ameritech has completed negotiation of a uniform change management process in accordance with Paragraph 15, SBC/Ameritech shall follow that uniform change management process in Phase 3. The target date for completion of Phase 3 is 18 months after completion of Phase 2, with the exception of Connecticut where the target date shall be 24 months after completion of Phase 2. The target dates in Phase 3 shall begin to run after the completion of the written agreement in Phase 2, or the effective date of a final decision by the arbitrator in Phase 2, whichever is later. Within 3 business days after the target date, SBC/Ameritech shall file a notice regarding its satisfaction of this target with the Secretary of the Commission. SBC/Ameritech shall pay \$100,000 per business day in voluntary payments to a public interest fund designated by the Commission for a failure to meet the target date. If one or more CLECs contend that SBC/Ameritech has not

developed and deployed the system interfaces, enhancements, and business requirements consistent with the written agreement obtained in Phase 2, or has not complied with the arbitrator's decision received in Phase 2, they may notify the Chief of the Common Carrier Bureau and request consolidated binding arbitration. Thereafter, the Chief of the Common Carrier Bureau may issue an order authorizing SBC/Ameritech and the CLEC(s) to submit to consolidated binding arbitration, if the Chief of the Common Carrier Bureau determines that arbitration is appropriate and in the public interest. Any such consolidated binding arbitration shall be conducted before an independent third party arbitrator in consultation with subject matter experts selected from a list of 3 firms supplied by SBC/Ameritech, which may include Telcordia Technologies, and in accordance with the Commercial Arbitration Rules of the American Arbitration Association. SBC/Ameritech shall pay 50 percent of the joint costs of the arbitration; and the CLECs that are parties to the disputed issues shall pay 50 percent of the joint costs of the arbitration. Voluntary payments of \$100,000 per business day for a failure to meet the target date shall only be paid with respect to the period following the date on which (i) SBC/Ameritech acknowledges such a failure, or (ii) the arbitrator issues a final decision that SBC/Ameritech has not developed and deployed the system interfaces, enhancements, and business requirements consistent with the written agreement obtained in Phase 2, or has not complied with the arbitrator's decision received in Phase 2. The total of such voluntary payments shall not exceed \$10,000,000 unless the Commission determines that SBC/Ameritech's failure to meet the target date was the result of SBC/Ameritech's willful misconduct.

12. For a period of 30 months after the Merger Closing Date, SBC/Ameritech shall offer to develop in the SBC/Ameritech States, direct access to SBC's SORD system and to Ameritech's and SNET's equivalent service order processing system for resold services, UNEs that meet the requirements of 47 U.S.C. § 251(c)(3), and UNEs or UNE combinations that are required by this Appendix; provided, however, that a CLEC requesting such direct access enters into a written contract wherein SBC/Ameritech and the CLEC agree to (i) the precise nature of the SORD (or Ameritech or SNET equivalent service order processing system) functions that shall be provided by SBC/Ameritech, (ii) a timetable for deployment of direct access to such functions; and (iii) a timetable for delivery of training on how to use such functions. If more than one CLEC requests direct access to the same SORD (or Ameritech or SNET equivalent service order processing system) function, each CLEC entering into a written contract to obtain such direct access will pay its proportionate share of the costs associated with developing direct access to such SORD (or Ameritech or SNET equivalent service order processing system) function based upon the number of CLECs requesting direct access to the same function. If a CLEC requests direct access to a SORD (or Ameritech or SNET equivalent service order processing system) function that has already been developed for other CLECs, SBC/Ameritech shall provide that direct access at no charge. SBC/Ameritech shall develop and pay for a training package, and the CLEC shall pay for the costs of delivery of the training.

13. SBC/Ameritech shall develop and deploy in the SBC/Ameritech States, in advance of industry standards, enhancements to the existing EBI interface for OSS that support maintenance/repair of resold services, UNEs that meet the requirements of 47 U.S.C. § 251(c)(3), and UNEs or UNE combinations that are required by this Appendix; provided, however, that a CLEC requesting such enhancements enters into a written contract wherein (i) SBC/Ameritech and the CLEC agree to the precise nature of the enhancement(s), and (ii) the

CLEC agrees to pay SBC/Ameritech for the costs of development. This offer shall be made available for a period of 30 months after the Merger Closing Date. SBC/Ameritech shall develop and deploy the enhancements contracted for within 12 months of a completed contract. In the case of the Ameritech States and Connecticut, this interface shall be provided in conjunction with the introduction of the EBI interface described in Paragraph 9 above, or within 12 months of a completed contract, whichever is later. In the event an enhancement to the existing EBI interface contracted for by a CLEC becomes an industry standard, without any changes or modifications, within 12 months of deployment by SBC/Ameritech, SBC/Ameritech shall provide the CLEC with a refund of the money the CLEC has paid SBC/Ameritech for the development and deployment of the enhancement.

14. Within 30 months after the Merger Closing Date (assuming the duration of Phase 2 described below is no longer than 1 month) SBC/Ameritech shall develop jointly with CLECs, and deploy throughout the SBC/Ameritech States, either (i) a software solution that shall ensure that CLEC submitted local service requests are consistent with SBC/Ameritech's business rules, or (ii) uniform business rules for completing CLEC local service requests, excluding those differences caused by state regulatory requirements and product definitions. Milestones applicable to the development and deployment of a software solution or uniform business rules are as follows:

a. Phase 1 – SBC/Ameritech shall complete a publicly available Plan of Record (which shall consist of an assessment of SBC/Ameritech business rules, and SBC/Ameritech's plan for developing and deploying a software solution or uniform business rules). The target date for completion of Phase 1 is 5 months after completion of Phase 2 of the development of both uniform application-to-application and graphical user interfaces for OSS, as described in Paragraph 11. No later than 3 business days after the target date, SBC/Ameritech shall file a notice regarding its satisfaction of this target with the Secretary of the Commission. SBC/Ameritech shall pay \$100,000 per business day in voluntary payments to a public interest fund designated by the Commission for a failure to meet the target date.

b. Phase 2 – SBC/Ameritech shall work collaboratively with the CLECs operating in the SBC/Ameritech States, in a single workshop, to obtain a written agreement on a software solution or business rule changes identified in the Plan of Record, and a change management process, including a 12 month forward-looking view of deployment. The target date for completion of Phase 2 is 1 month after completion of Phase 1. Successful completion of Phase 2 is dependent upon the full cooperation of the CLECs in consummating a written agreement with SBC/Ameritech on the work to be done. The FCC Staff shall try to assist and encourage the parties to reach a written agreement. If SBC/Ameritech and all of the CLECs participating in the workshop reach a written agreement, SBC/Ameritech shall file a copy of that agreement with the Chief of the Common Carrier Bureau and proceed with Phase 3. If SBC/Ameritech and all of the CLECs participating in the workshop cannot reach a written agreement within 1 month after the start of Phase 2, SBC/Ameritech shall notify the Chief of the Common Carrier Bureau, and submit to the Chief of the Common Carrier Bureau SBC/Ameritech's plan for development and deployment of either a software solution or uniform business rules and a list of the remaining unresolved issues in dispute. The Chief of the Common Carrier Bureau shall issue an order either (a) directing SBC/Ameritech to implement SBC/Ameritech's plan for development and deployment of either a software solution or uniform

business rules, or (b) authorizing SBC/Ameritech and one or more CLEC(s) to submit the remaining unresolved issues in dispute to consolidated binding arbitration. No CLEC(s) shall have the right to submit the remaining unresolved issues in dispute to consolidated binding arbitration, unless the Chief of the Common Carrier Bureau determines that arbitration is appropriate and in the public interest. No work shall begin until SBC/Ameritech is ordered by the Chief of the Common Carrier Bureau to implement the plan for development and deployment of either a software solution or uniform business rules as submitted by SBC/Ameritech, or SBC/Ameritech is ordered by the Chief of the Common Carrier Bureau to arbitrate the remaining unresolved issues in dispute and SBC/Ameritech receives the arbitrator's decision. Any such consolidated binding arbitration shall be conducted before an independent third party arbitrator in consultation with subject matter experts selected from a list of 3 firms supplied by SBC/Ameritech, which may include Telcordia Technologies, and in accordance with the Commercial Arbitration Rules of the American Arbitration Association. SBC/Ameritech shall pay 50 percent of the joint costs of the arbitration; and the CLECs that are parties to the disputed issues shall pay 50 percent of the joint costs of the arbitration.

c. Phase 3 – SBC/Ameritech shall develop and deploy, on a phased-in approach, the software solution or business rule changes agreed upon in Phase 2. To the extent that SBC/Ameritech has completed negotiation of a uniform change management process in accordance with paragraph 15, SBC/Ameritech shall follow that uniform change management process in Phase 3. The target date for completion of Phase 3 is 24 months after completion of Phase 2. The target dates in Phase 3 shall begin to run after the completion of the written agreement in Phase 2, or any arbitration and the receipt of any arbitrator's decision in Phase 2, whichever is later. Within 3 business days of the target date, SBC/Ameritech shall file a notice regarding its satisfaction of this target with the Secretary of the Commission. SBC/Ameritech shall pay \$100,000 per business day in voluntary payments to a public interest fund designated by the Commission for a failure to meet the target date. If one or more CLECs contend that SBC/Ameritech has not developed and deployed the software solution or business rule changes agreed upon in Phase 2, or has not complied with the arbitrator's decision received in Phase 2, they may notify the Chief of the Common Carrier Bureau of the dispute and request consolidated binding arbitration. Thereafter, Chief of the Common Carrier Bureau may issue an order authorizing SBC/Ameritech and the CLEC(s) to submit to consolidated binding arbitration, if the Chief of the Common Carrier Bureau determines that arbitration is appropriate and in the public interest. Any such consolidated binding arbitration shall be conducted before an independent third party arbitrator in consultation with subject matter experts selected from a list of 3 firms supplied by SBC/Ameritech, which may include Telcordia Technologies, and in accordance with the Commercial Arbitration Rules of the American Arbitration Association. SBC/Ameritech shall pay 50 percent of the joint costs of the arbitration; and the CLECs that are parties to the disputed issues shall pay 50 percent of the joint costs of the arbitration. Voluntary payments of \$100,000 per business day for a failure to meet the target date shall only be paid with respect to the period following the date on which (i) SBC/Ameritech acknowledges such a failure, or (ii) the arbitrator issues a final decision that SBC/Ameritech has not developed and deployed the software solution or business rule changes agreed upon in Phase 2, or has not complied with the arbitrator's decision received in Phase 2. The total of such voluntary payments shall not exceed \$10,000,000 unless the Commission determines that SBC/Ameritech's failure to meet the target date was the result of SBC/Ameritech's willful misconduct.

15. Within 12 months after the Merger Closing Date, SBC/Ameritech shall negotiate with interested CLECs a uniform change management process for implementation in the 13-State service area where it operates as an incumbent LEC. "Change management process" is the documented process that SBC/Ameritech and the CLECs follow to facilitate communication about OSS changes, new interfaces and retirement of old interfaces, as well as the implementation timeframes; which includes such provisions as a 12 month developmental view, release announcements, comments and reply cycles, joint testing processes and regularly scheduled change management meetings. SBC/Ameritech shall offer to include in its interconnection agreements with CLECs a commitment to follow the uniform change management process agreed upon with interested CLECs. In the event that CLECs doing business with SBC/Ameritech in different States are unable to agree on certain components of a uniform change management process, SBC/Ameritech shall implement those components of the change management process which are uniform where feasible, and SBC/Ameritech shall notify the Chief of the Common Carrier Bureau, and submit to the Chief of the Common Carrier Bureau SBC/Ameritech's plan for the uniform change management process and a list of the components of the change management process that are in dispute. The Chief of the Common Carrier Bureau shall issue an order either (a) ordering SBC/Ameritech to continue to implement the change management process in place or (b) authorizing SBC/Ameritech and one or more CLEC(s) to submit the remaining unresolved issues in dispute to consolidated binding arbitration. No CLEC(s) shall have the right to submit the remaining unresolved issues in dispute to consolidated binding arbitration, unless the Chief of the Common Carrier Bureau determines that arbitration is appropriate and in the public interest. Any disputes between SBC/Ameritech and the CLECs arising out of or relating to the negotiation of a uniform change management control process shall be decided in a consolidated binding arbitration by an independent third party arbitrator in consultation with subject matter experts selected from a list of 3 firms supplied by SBC/Ameritech which may include Telcordia Technologies, and in accordance with the Commercial Arbitration Rules of the American Arbitration Association. SBC/Ameritech shall pay 50 percent of the joint costs of the arbitration; and the CLECs that are parties to the disputed issues shall pay 50 percent of the joint costs of the arbitration.

16. SBC/Ameritech shall provide CLECs with the following options for pre-ordering and ordering components used to provide digital subscriber line ("xDSL") and other Advanced Services (as defined in Section VII of these Conditions):

a. Until SBC develops and deploys enhancements to its existing Datagate and EDI interfaces as described in Paragraph 16(c) below: (i) SBC/Ameritech shall provide CLECs, not later than 6 months after the Merger Closing Date, with access to SBC's Complex Product Service Order System (CPSOS) for loop pre-qualification information within each of the SBC States except for Nevada and Connecticut, and (ii) Ameritech shall provide CLECs with access to Ameritech's existing EDI interface within each of the Ameritech States.

b. SBC/Ameritech shall provide CLECs with direct access to SORD, and Ameritech's and SNET's equivalent service order processing systems for pre-ordering and ordering xDSL and Advanced Services, as described in Paragraph 12 above.

c. Within 14 months after the Merger Closing Date (assuming the duration of Phase 2 described below is no longer than 1 month), SBC/Ameritech shall develop and deploy, in the 13-State service area where it operates as an incumbent LEC, except for Connecticut, in advance of industry standards, enhancements to the existing Datagate or EDI interfaces for pre-ordering xDSL and other Advanced Services components, and enhancements to the existing EDI interface for ordering xDSL and other Advanced Services components to be used in common by both SBC/Ameritech's and the CLECs' sales representatives. In Connecticut, these enhancements to the existing Datagate or EDI interfaces shall be developed and deployed in conjunction with the introduction of the uniform OSS interfaces described in Paragraph 9 above. In the interim, SBC/Ameritech shall continue to use its equivalent interfaces for the pre-ordering and ordering of xDSL and Advanced Services. All enhancements made to the existing Datagate and EDI interfaces by SBC/Ameritech shall remain in effect for a period of 3 years after deployment, and SBC/Ameritech shall provide CLECs with 12 months advance notice of any plans to no longer make the enhancements available. Milestones applicable to the development and deployment of enhancements to the existing Datagate and EDI interfaces as set forth above are as follows.

(1) Phase 1 – SBC/Ameritech shall complete a publicly available Plan of Record (which shall consist of an overall assessment of SBC's and Ameritech's existing Datagate and EDI interfaces, business processes and rules, hardware capabilities, data capabilities, and differences, and SBC/Ameritech's plan for developing and deploying enhancements to the existing Datagate or EDI interfaces for pre-ordering xDSL and other Advanced Services components, and enhancements to the existing EDI interface for ordering xDSL and other Advanced Services components), and notify all CLECs that have a current interconnection agreement with SBC/Ameritech of the Plan of Record. The target date for completion of Phase 1 is 1 month after the Merger Closing Date. Not later than 3 business days after the target date, SBC/Ameritech shall file a notice regarding its satisfaction of this target with the Secretary of the Commission. SBC/Ameritech shall pay \$100,000 per business day in voluntary payments to a public interest fund designated by the Commission for a failure to meet the target date. If, within 2 months after the Merger Closing Date, one or more CLEC(s) requests enhancements to SBC/Ameritech's existing Datagate or EDI interfaces that are different from what is contained in the Plan of Record, then SBC/Ameritech shall begin Phase 2. If, within 2 months after the Merger Closing Date, no CLEC requests enhancements to SBC/Ameritech's existing Datagate or EDI interfaces that are different from what is contained in the Plan of Record, then Phase 2 will be considered completed and SBC/Ameritech shall file a notice with the Secretary of the Commission and begin to develop and deploy the enhancements contained in the Plan of Record, pursuant to Phase 3 below.

(2) Phase 2 – SBC/Ameritech shall work collaboratively with CLECs operating in the SBC/Ameritech States, in a single workshop, to obtain written agreement on enhancements to the existing Datagate or EDI interfaces identified in the Plan of Record, and a change management process, including a 12 month forward-looking view of process changes and deployment schedule. The target date for completion of Phase 2 is 3 months after the Merger Closing Date. Successful completion of Phase 2 is dependent upon the full cooperation of the CLECs in consummating a written agreement with SBC/Ameritech on the work to be done. The FCC Staff shall try to assist and encourage the parties to reach a written agreement. If

SBC/Ameritech and all of the CLECs participating in the workshop reach a written agreement, SBC/Ameritech shall file a copy of that agreement with the Chief of the Common Carrier Bureau and proceed with Phase 3. If SBC/Ameritech and all of the CLECs participating in the workshop cannot reach a written agreement within 1 month after the start of Phase 2, SBC/Ameritech shall notify the Chief of the Common Carrier Bureau, and submit to the Chief of the Common Carrier Bureau a copy of SBC/Ameritech's plan for developing and deploying enhancements to the existing Datagate or EDI interfaces for pre-ordering xDSL and other Advanced Services components, and enhancements to the existing EDI interface for ordering xDSL and other Advanced Services components and a list of the remaining unresolved issues in dispute. The Chief of the Common Carrier Bureau shall issue an order either (a) directing SBC/Ameritech to implement the plan for development and deployment of enhancements to the existing Datagate or EDI interfaces for pre-ordering xDSL and other Advanced Services components, and enhancements to the existing EDI interface for ordering xDSL and other Advanced Services components as submitted by SBC/Ameritech, or (b) authorizing SBC/Ameritech and the CLEC(s) to submit the remaining unresolved issues in dispute to consolidated binding arbitration. No CLEC(s) shall have the right to submit the remaining unresolved issues in dispute to consolidated binding arbitration, unless the Chief of the Common Carrier Bureau determines that arbitration is appropriate and in the public interest. No work shall begin until SBC/Ameritech is ordered by the Chief of the Common Carrier Bureau to implement the plan for development and deployment of enhancements to the existing Datagate and EDI interfaces as submitted by SBC/Ameritech, or SBC/Ameritech is ordered by the Chief of the Common Carrier Bureau to arbitrate the remaining unresolved issues in dispute and SBC/Ameritech receives the arbitrator's decision. Any such consolidated binding arbitration shall be conducted before an independent third party arbitrator in consultation with subject matter experts selected from a list of 3 firms supplied by SBC/Ameritech, which may include Telcordia Technologies, and in accordance with the Commercial Arbitration Rules of the American Arbitration Association. SBC/Ameritech shall pay 50 percent of the joint costs of the arbitration; and the CLECs that are parties to the disputed issues shall pay 50 percent of the joint costs of the arbitration.

(3) Phase 3 – SBC/Ameritech shall develop and deploy, on a phased-in approach, the enhancements to the existing Datagate or EDI interfaces for pre-ordering xDSL and other Advanced Services components, and enhancements to the existing EDI interface for ordering xDSL and other Advanced Services components consistent with the written agreement obtained in Phase 2. To the extent that SBC/Ameritech has completed negotiation of a uniform change management process in accordance with Paragraph 15, SBC/Ameritech shall follow that uniform change management process in Phase 3. The target date for completion of Phase 3 is 11 months after completion of Phase 2, with the exception of Connecticut where the target date shall be consistent with that for the deployment of the uniform OSS interfaces described in Paragraph 9 above. The target dates in Phase 3 shall begin to run after the completion of the written agreement in Phase 2, or the effective date of a final decision by the arbitrator in Phase 2, whichever is later. Within 3 business days of the target date, SBC/Ameritech shall file a notice regarding its satisfaction of this target with the Secretary of the Commission. SBC/Ameritech shall pay \$100,000 per business day in voluntary payments to a public interest fund designated by the Commission for a failure to meet the target date. If one or more CLECs contend that SBC/Ameritech has not developed and deployed the enhancements to the existing Datagate or EDI interfaces consistent with the written agreement obtained in Phase 2, or has not complied

with the arbitrator's decision received in Phase 2, they may notify the Chief of the Common Carrier Bureau and request consolidated binding arbitration. Thereafter, the Chief of the Common Carrier Bureau may issue an order authorizing SBC/Ameritech and the CLEC(s) to submit the dispute to consolidated binding arbitration, if the Chief of the Common Carrier Bureau determines that arbitration of the dispute is appropriate and in the public interest. Any such consolidated binding arbitration shall be conducted before an independent third party arbitrator in consultation with subject matter experts selected from a list of 3 firms supplied by SBC/Ameritech, which may include Telcordia Technologies, in accordance with the Commercial Arbitration Rules of the American Arbitration Association. SBC/Ameritech shall pay 50 percent of the joint costs of the arbitration, and the CLECs that are parties to the disputed issues shall pay 50 percent of the joint costs of the arbitration. Voluntary payments of \$100,000 per business day for a failure to meet the target date shall only be paid with respect to the period following the date on which (i) SBC/Ameritech acknowledges such a failure, or (ii) a final decision by the arbitrator that SBC/Ameritech has not developed and deployed the enhancements to the existing Datagate or EDI interfaces consistent with the written agreement obtained in Phase 2, or has not complied with the arbitrator's decision received in Phase 2. The total of such voluntary payments shall not exceed \$10,000,000 unless the Commission determines that SBC/Ameritech's failure to meet the target date was the result of SBC/Ameritech's willful misconduct.

17. Payments made to a public interest fund in connection with the above OSS enhancements and additional interfaces shall not be reflected in the revenue requirement of an SBC/Ameritech incumbent LEC.

IV. OSS: Waiver of Charges

18. SBC/Ameritech shall eliminate in the SBC/Ameritech States, on a going-forward basis and for a period of 3 years, all charges for use of its standard electronic interfaces for accessing OSS that support the pre-ordering, ordering, provisioning, maintenance/repair, and billing of resold services, UNEs that meet the requirements of 47 U.S.C. § 251(c)(3), and UNEs or UNE combinations that are required by this Appendix. SBC/Ameritech shall eliminate these charges, in all states where they are applied, beginning with the first billing cycle following the Merger Closing Date. This condition, however, does not affect SBC/Ameritech's right either to charge CLECs for processing orders which are not received electronically (i.e., orders received by mail, by fax, or by other non-electronic methods of transmitting orders), or to recover the costs of developing and providing OSS to CLECs through the pricing of UNEs or resold services.

V. OSS: Assistance for Small CLECs

19. SBC/Ameritech shall adopt measures for assisting small CLECs as follows:

a. The term "small CLEC" means any CLEC that, when combined with all of the CLEC's affiliates, including its parents and subsidiaries, and the CLEC's joint ventures that provide telecommunications services, has less than \$300 million in total annual telecommunications revenues, excluding revenues from wireless services, as reported to the

Securities and Exchange Commission or in other documents mutually agreeable to such CLEC and SBC/Ameritech. Disputes relating to the application of this definition may be resolved by the appropriate state commission(s).

b. Within 30 days following the Merger Closing Date, SBC/Ameritech shall designate and make available one or more teams of a sufficient number of OSS experts dedicated and empowered to assist small CLECs with OSS issues, provided such small CLECs have contracted for OSS in their interconnection agreements with SBC/Ameritech and have attended any OSS training required by their interconnection agreements. Each team shall be available to provide further training and assistance, not including the provision of any telecommunications service, to such CLECs at no additional cost for a minimum of 1 year following the designation of the team. A small CLEC may request reasonable changes, expansion, and/or reduction in the composition of such a team. Within 60 days following the Merger Closing Date, SBC/Ameritech shall provide notice of the availability of these teams to all small CLECs certificated and operating in the SBC/Ameritech States.

c. Within 90 days following the Merger Closing Date, SBC/Ameritech shall identify and develop training and procedures that shall be beneficial to small CLECs operating in the 13-State service area where SBC/Ameritech operates as an incumbent LEC. Within 120 days following the Merger Closing Date, SBC/Ameritech shall provide notice of such training and procedures to all small CLECs certificated and operating in the SBC/Ameritech States.

VI. xDSL and Advanced Services Deployment

20. SBC/Ameritech shall take the following steps to ensure that its deployment of xDSL services in the SBC/Ameritech States is not discriminatory:

a. SBC/Ameritech shall reasonably classify all SBC/Ameritech wire centers as either urban or rural wire centers for purposes of this Section.

b. SBC/Ameritech shall identify the 10 percent of urban wire centers in each SBC/Ameritech State that have the highest proportion of low-income subscribers, as estimated by using the latest available census data ("Low Income Urban Pool"). After SBC/Ameritech deploys xDSL in at least 20 urban wire centers in a particular state, at least 10 percent of the urban wire centers in which SBC/Ameritech deploys xDSL in that State shall be wire centers from the Low Income Urban Pool.

c. SBC/Ameritech shall identify the 10 percent of rural wire centers in each SBC/Ameritech State that have the highest proportion of low-income subscribers, as estimated by using the latest available census data ("Low Income Rural Pool"). After SBC/Ameritech deploys xDSL in at least 20 rural wire centers in a particular state, at least 10 percent of the rural wire centers in which SBC/Ameritech deploys xDSL in that State shall be wire centers from the Low Income Rural Pool.

21. SBC/Ameritech shall provide unaffiliated CLECs with nondiscriminatory, electronic pre-order OSS access to the same loop pre-qualification information that is available

to SBC/Ameritech's retail operations, including the retail operations that will be part of the separate Advanced Services affiliates described in Section VII.

a. This information shall be provided on an individual address basis (e.g., whether the theoretical loop length is less than 12,000 feet from the customer premise to the central office; between 12,000 and 17,500 feet from the customer premise to the central office; or greater than 17,500 feet from the customer premise to the central office).

b. This information shall be available not later than the Merger Closing Date in all SBC States except Connecticut and Nevada. This information shall be made available in Connecticut, Nevada, and the Ameritech States, on a phased-in basis, by no later than 22 months after the Merger Closing Date.

22. SBC/Ameritech shall provide CLECs in the SBC/Ameritech States with the same nondiscriminatory, electronic pre-order Internet access to the same loop pre-qualification information for xDSL services that is available to SBC/Ameritech's retail operations, including the retail operations that will be part of the separate Advanced Services affiliates discussed in Section VII. This information shall be available on a mass market basis (e.g., based upon a zip code of end users within a wire center) at no charge, beginning 12 months after the Merger Closing Date.

23. SBC/Ameritech shall provide CLECs in the SBC/Ameritech States nondiscriminatory access to loop pre-qualification information (i.e., whether the theoretical loop length is less than 12,000 feet from the customer premise to the central office; between 12,000 and 17,500 feet from the customer premise to the central office; or greater than 17,500 feet from the customer premise to the central office), and loop qualification information (i.e., whether the loop contains bridged taps, load coils, or repeaters) whether such access is by electronic or non-electronic means.

24. SBC/Ameritech shall offer CLECs in the SBC/Ameritech States uniform interim rates for conditioning xDSL loops when such conditioning is requested (unless there are existing established lower rates in the state available to all CLECs). These rates shall include a separate rate for removing all repeaters, bridged taps, and load coils contained on the loop within each segment. The uniform interim rates to be offered and charged by SBC/Ameritech are shown in Attachment C. SBC/Ameritech shall file cost studies to replace the interim rates for these services within 6 months of the Merger Closing Date in each of its states that have not already started or completed cost proceedings for these services. When the cost proceedings have been completed in a state, the cost-based rates resulting from these proceedings shall be effective in that state.

VII. Structural Separation for Advanced Services

25. SBC/Ameritech shall provide Advanced Services through one or more affiliate(s) in accordance with the provisions and schedule set forth below. As described below, Ameritech and SBC shall establish separate Advanced Services affiliates prior to the Merger Closing Date. Upon receiving state approval of interconnection agreements and obtaining any necessary state certification, SBC/Ameritech shall transition the provisioning of Advanced Services to one or

more separate Advanced Services affiliate(s).

26. Advanced Services. For purposes of these Conditions, the term "Advanced Services" means wireline, telecommunications services, such as ADSL, IDSL, xDSL, Frame Relay, Cell Relay and Dial Access Service that rely on packetized technology and have the capability of supporting transmissions speeds of a least 56 kilobits per second in at least one direction. This definition of Advanced Services does not include data services that are not based on packetized technology, such as ISDN.

27. Section 272 Requirements for the Separate Advanced Services Affiliates. Subject to the transitional mechanisms discussed below, the separate Advanced Services affiliates required by this Section VII shall operate in accordance with the structural, transactional, and nondiscrimination requirements that would apply to a separate affiliate's relationships with a BOC under 47 U.S.C. §272 (b),(c), (e) and (g), as interpreted by the Commission as of July 1, 1999, except to the extent those provisions are inconsistent with the following specific provisions, in which case the following provisions shall apply:

a. Any separate Advanced Services affiliate and any SBC/Ameritech incumbent LEC may joint market their services with the services of the other, without being subject to any nondiscrimination requirement under these Conditions. Permitted joint marketing by the incumbent LEC that may be conducted on an exclusive basis would include the sale of Advanced Services provided by the Advanced Services affiliate and the transfer of customers identified by the incumbent LEC through inbound or outbound marketing to the affiliate for completion of the customer's Advanced Services order. In performing these joint marketing activities, the employees of the incumbent LEC may only access the incumbent LEC's loop pre-qualification information through the same OSS as are made available to CLECs, except that for a period of 6 months following the Merger Closing Date the employees of the incumbent LEC may access CPSOS, which is only available on a functionally equivalent basis to CLECs as described in Paragraph 16. Permitted joint marketing by the Advanced Services affiliate would include completion of orders for Advanced Services and local services by the affiliate and the transfer of customers identified by the affiliate to the incumbent LEC for provisioning of the customer's local service order. Permitted joint marketing by either the incumbent LEC or the separate Advanced Services affiliate would include customer care, such as service representative interaction with the customer after the sale;

b. Any SBC/Ameritech incumbent LEC may provide operations, installation, and maintenance ("OI&M") services to any separate Advanced Services affiliate pursuant to a tariff or approved interconnection agreement and on a nondiscriminatory basis consistent with the rule established by 47 U.S.C. §272(c) and the Commission's implementing rules as in effect on July 1, 1999. With respect to these transactions, SBC/Ameritech shall comply with the Commission's Section 272 accounting safeguards; provided, however, that public disclosure of the governing interconnection agreement (including the prices, discounts, terms and conditions associated with that agreement) shall satisfy the disclosure requirements as applied to the separate Advanced Services affiliate for products and services provided pursuant to this agreement;

c. The incumbent LEC and Advanced Services affiliate(s) may separately own facilities or network equipment used specifically to provide Advanced Services ("Advanced Services Equipment"). For purposes of this order, Advanced Services Equipment is: (1) DSLAMs or functionally equivalent equipment, (2) splitters located at the customer premises that are used in the provision of Advanced Services, (3) packet switches and multiplexers such as ATMs, Frame Relay engines and Packet Engines used to provide advanced services, (4) modems used in the provision of packetized data, and (5) DACS frames used in the provision of Advanced Services. Certain functionality associated with this equipment may be provided to the separate Advanced Services affiliate on an exclusive basis during a transitional period. Specifically, the overall functionality of any Advanced Services provided by the incumbent LEC in a state as of the Merger Closing Date may be provided to the separate Advanced Services affiliate on an exclusive basis within the state until 6 months after the affiliate has obtained all necessary approvals and authorizations to provide such services within the state, as described in Paragraph 31. Additionally the incumbent LECs may provide the DSLAM functionality of interim line sharing to the separate Advanced Services affiliate(s) on an exclusive basis until it becomes both technically and commercially feasible to provide such capability to all providers, as described in Paragraph 33;

d. The separate Advanced Services affiliates may use the incumbent LEC's name, trademarks, or service marks on an exclusive basis; and

e. Employees of the separate Advanced Services affiliate(s) may be located within the same buildings and on the same floors as employees of the incumbent LECs.

28. Transfer of Advanced Services Equipment to the Affiliate. The incumbent LEC may (but shall not be required to) transfer to the separate Advanced Services affiliate(s), on an exclusive basis, any Advanced Services Equipment during a "Grace Period." The "Grace Period" shall be from July 1, 1999 until the date that is six months after the date that the Commission issues a final order, not including any appeals, in the UNE remand proceeding (CC Docket 96-98). Such Advanced Services Equipment that may be transferred to the separate affiliate on an exclusive basis does not include any facilities or equipment deemed to be an unbundled network element under 47 C.F.R. § 51.319 (as in effect on January 24, 1999). Such separate affiliate(s) shall not be deemed a successor or assign of a BOC for purposes of applying 47 U.S.C. §153(4)(A) as a result of such transfer. Provided, however, that if any portion of this paragraph is found invalid or is otherwise overridden by a judicial or administrative order, SBC/Ameritech shall not have any separate affiliate obligations with respect to Advanced Services.

29. Requests for State Approval. In any state where SBC/Ameritech will be providing Advanced Services on the Merger Closing Date, the separate Advanced Services affiliate(s) shall, prior to the Merger Closing Date:

a. Negotiate and file for approval pursuant to 47 U.S.C. §§ 251 and 252 an interconnection agreement with the affiliated incumbent LEC setting forth terms, conditions and prices for the provision of interconnection, telecommunications services, and network elements

that the affiliated incumbent LEC shall provide to the separate Advanced Services affiliate for the purposes of the separate affiliate's provision of Advanced Services.

b. File for any required State certifications or approvals necessary for the separate affiliate to provide Advanced Services.

30. Schedule for Establishing Separate Advanced Services Affiliates.

SBC/Ameritech will establish the separate Advanced Services affiliates required by this Section VII in accordance with the following schedule:

a. In any state where an SBC/Ameritech incumbent LEC will provide Advanced Services on the Merger Closing Date, SBC/Ameritech shall establish prior to the Merger Closing Date a separate Advance Services affiliate.

b. In any state where SBC/Ameritech provided Advanced Services through a separate Advanced Services affiliate on July 1, 1999, such affiliate shall be in compliance with the provisions of Paragraph 27 prior to the Merger Closing Date.

c. In any state where SBC/Ameritech does not provide Advanced Services on the Merger Closing Date, SBC/Ameritech shall incorporate and establish a separate Advanced Services affiliate to provide Advanced Services prior to providing Advanced Services in that State.

d. Notwithstanding the provisions of sub-paragraphs a, b, and c, above, SBC/Ameritech may provide Advanced Services through an SBC/Ameritech incumbent LEC in any State until SBC/Ameritech has obtained all necessary State approvals to provide Advanced Services through the separate Advanced Services affiliate in that State.

31. Providing Advanced Services through the Separate Advanced Services Affiliate.

SBC/Ameritech shall phase-in the provision of Advanced Services through its separate Advanced Services affiliate(s), as follows:

a. Ameritech States. In the Ameritech States, SBC/Ameritech shall provide Advanced Services through its separate Advanced Services affiliate(s) no later than the Merger Closing Date.

b. SBC States - New Activations for Customers that are Providers of Internet Services. In each SBC State, SBC/Ameritech shall provide new activations of Advanced Services to customers that are providers of Internet services through a separate Advanced Services affiliate no later than 30 days after state approval of all agreements with the affiliated incumbent LEC that are necessary to carry out the provisions of this Section VII, including any interconnection agreement(s). The terms of this sub-paragraph b are established in recognition of, and are expressly contingent upon, the fact that the FCC has determined that Advanced Services used to provide Internet services are interstate services.

c. SBC States - Incumbent LEC's Embedded Base of Customers That Are Providers of Internet Services. In each SBC State, any Advanced Services provided by

SBC/Ameritech's incumbent LEC in that State to customers that are providers of Internet services shall be transferred to the separate Advanced Services affiliate no later than the later of: (i) 30 days after such state approval of all necessary agreements as discussed in sub-paragraph b, or (ii) 6 months after the Merger Closing Date. The terms of this sub-paragraph c are established in recognition of, and are expressly contingent upon, the fact that the FCC has determined that Advanced Services used to provide Internet services are interstate services.

d. SBC States - New Activations for Other Customers. In each SBC State, SBC/Ameritech shall provide new activations of Advanced Services to customers that are not providers of Internet services through a separate Advanced Services affiliate no later than 30 days after the later of: (i) state approval of all agreements with the affiliated incumbent LEC necessary to carry out the provisions of this Section VII, including any interconnection agreement(s), or (ii) state approval of any certification that the state deems required for the separate Advanced Services affiliate to provide Advanced Services in that state.

e. SBC States - Incumbent LEC's Embedded Base of Other Customers. In each SBC State, any Advanced Services provided by SBC/Ameritech's incumbent LEC in that State to customers that are not providers of Internet services shall be transferred to the separate Advanced Services affiliate no later than the later of: (i) 30 days after State approval of any necessary certification, (ii) 30 days after State approval of all necessary agreements, including any agreement to transfer customers from the incumbent LEC to the separate Advanced Services affiliate, or (iii) 6 months after the Merger Closing Date.

f. Transition Period. In each SBC State, until such time as SBC/Ameritech is required, pursuant to the provisions of sub-paragraphs b or d, above, to provision new activities of Advanced Services through the separate Advanced Services affiliate in that State, SBC/Ameritech shall be permitted to provision such services through SBC/Ameritech's incumbent LEC in that state in the following manner, which represents the "functional equivalent" of providing service through a separated Advanced Services affiliate:

(1) Either the incumbent LEC or the separate Advanced Services affiliate may joint market Advanced Services to customers;

(2) Customer orders for Advanced Services obtained by the incumbent LEC must be passed to the separate Advanced Services affiliate for processing;

(3) The separate Advanced Services affiliate shall order the facilities needed to provide the Advanced Service from the incumbent LEC utilizing the same interfaces with the incumbent LEC as the incumbent LEC provides to unaffiliated providers of Advanced Services; and

(4) Any Advanced Services orders received by the separate Advanced Services affiliate shall be passed to the incumbent LEC, which shall provide Advanced Services to the SBC/Ameritech customer.

32. With respect to any state certification required by this Section VII, an FCC Order specifically determining that state certification is not required for the separate Advanced Services affiliates, to provide certain interstate Advanced Services to certain types of customers shall apply in lieu of state certification for such interstate Advanced Services and such customers.

33. Provisioning Line Sharing. At such a time as: (a) it becomes technically feasible to provide line sharing as described in the further NPRM issued in CC Docket 98-147 (rel. March 31, 1999) and in a manner that permits multiple CLECs to have access to a high frequency channel riding over the same loop as an SBC/Ameritech incumbent LEC-provided voice grade service, and (b) the equipment to provide such line sharing becomes available, based on industry standards, at commercial volumes, SBC/Ameritech shall be required to offer to provide such line sharing to unaffiliated providers of Advanced Services on a phased-in basis beginning no later than 3 months and completing within 12 months after (a) and (b) listed above have occurred. Such line sharing capability will be provided by SBC/Ameritech's incumbent LEC in a state at rates and other terms and conditions as determined by the State Commission in accordance with the 1996 Telecommunications Act, and will be offered in a non-discriminatory manner to both the separate Advanced Services affiliate and unaffiliated providers.

34. Provisioning Interim Line Sharing to the Separate Advanced Services Affiliate. Notwithstanding the non-discrimination provision of Paragraph 27 above, an SBC/Ameritech incumbent LEC may provide interim line sharing to a separate Advanced Services affiliate on an exclusive basis in accordance with the following provisions:

a. The incumbent LEC may provide interim line sharing capability to the separate Advanced Services affiliate for the provision of Advanced Services activated prior to the time that line sharing can be provided per the provisions of Paragraph 33 above.

b. The incumbent LEC shall establish surrogate charges for the costs incurred in making available an unbundled local loop capable of providing Advanced Services within a specific, broadband spectral map in combination with voice grade services ("Surrogate Line Sharing Charges"). The Surrogate Line Sharing Charges shall be 50 percent of the lowest monthly recurring charge, and 100 percent of the lowest non-recurring charges (i.e. there is no discount for non-recurring charges), for the unbundled local loop then effective that have been established by the state commission pursuant to 47 U.S.C. § 252(d)(1). The incumbent LEC shall charge the separate Advanced Services affiliate these Surrogate Line Sharing Charges for its use of an unbundled local loop if: (1) the incumbent LEC is able to provision the Advanced Service of the separate Advanced Services affiliate over the same loop that the incumbent LEC is using to provide voice grade services on either a retail or wholesale basis, and (2) the Advanced Service fits within the spectral map as described in SBC/Ameritech technical publication TP-76730. In order to be entitled to the Surrogate Line Sharing Charges, however, the separate Advance Services affiliate must certify to the incumbent LEC that it is not providing voice grade service in conjunction with Advanced Services over the broadband channel.

c. In any state where the incumbent LEC provides interim line sharing to a separate Advanced Services affiliate per the provisions of sub-paragraphs a and b above, the incumbent LEC shall charge unaffiliated providers of Advanced Services the same Surrogate

Line Sharing Charges for use of an unbundled local loop, where: (i) the unaffiliated provider purchases the unbundled local loop to provide Advanced Services only and does not use the unbundled loop to provide any voice grade service; (ii) the unaffiliated provider's Advanced Services are provided to an end user customer to whom the incumbent LEC provides voice grade service on either a retail or wholesale basis, at the same premises; and (iii) the unaffiliated provider's Advanced Services are within a spectral map that would be compatible with the incumbent LEC's voice service, if line sharing were available, as described in SBC/Ameritech technical publication TP-76730.

d. Unaffiliated CLECs that obtain unbundled local loops for the Surrogate Line Sharing Charges shall, on a quarterly basis, certify to SBC/Ameritech and the appropriate state commission that they are using all unbundled local loops provided at the Surrogate Line Sharing Charges in accordance with sub-paragraph c above. SBC/Ameritech shall have the right to hire, at its own expense, an independent third-party auditor to perform all necessary audits and inspections needed to assure that unbundled local loops provided for the Surrogate Line Sharing Charges are used in accordance with sub-paragraph c above. Carriers that obtain unbundled local loops for the Surrogate Line Sharing Charges shall agree to cooperate in the performance of such audits and inspections. Audit information shall be restricted to SBC/Ameritech regulatory, legal, and/or wholesale personnel, and SBC/Ameritech shall prohibit those personnel from disclosing audit-related information to SBC/Ameritech retail/marketing personnel. If SBC/Ameritech conducts any audit of an unaffiliated carrier's use of unbundled local loops in a state, under this sub-paragraph d, SBC/Ameritech's annual compliance report for the calendar year in which the investigation was concluded shall describe the uses of shared loops by SBC/Ameritech's separate Advanced Services affiliate(s) in the same state.

e. Any carrier found by the Commission or the appropriate state commission to have violated the use restrictions of sub-paragraph c or who fails to cooperate in an audit shall be ineligible to receive the Surrogate Line Sharing Charges on any unbundled local loop for which the use restrictions are violated. In addition, any such carrier shall be ineligible to receive the Surrogate Line Sharing Charges for unbundled local loops ordered or installed after the date of such a finding by the Commission or a state commission.

35. Advanced Services OSS Discounts. Until SBC/Ameritech has developed and deployed OSS options for pre-ordering and ordering xDSL and other Advanced Services in satisfaction of Paragraph 16 of these Conditions and the EDI interface specified in that sub-paragraph is used by the separate Advanced Services affiliate for pre-ordering and ordering a substantial majority of its Advanced Services in the relevant geographic area, SBC/Ameritech's incumbent LECs shall provide a discount of 25 percent off of the recurring and nonrecurring charges (including of the Surrogate Line Sharing Charges, if applicable) that otherwise would be applicable for unbundled local loops used to provide Advanced Services in the same relevant geographic area. By way of example, if the Surrogate Line Sharing Charges are \$8.00/month, the charge would be discounted to \$6.00/month in areas where this OSS discount is applicable.

36. The separate Advance Services affiliate(s) required by this Section shall be regulated by the FCC as non-dominant carrier(s) with respect to the provision of Advanced Services.

37. The Performance Measures required by Section I of these Conditions shall be reported separately, on a proprietary basis, by each SBC/Ameritech incumbent LEC for each separate Advanced Services affiliate required by this Section VII to the extent that such Performance Measures are applicable.

38. For three years after the Merger Closing Date, the separate Advance Services affiliate provisions of this Section VII shall automatically apply to any other domestic incumbent LEC that merges with or is acquired by SBC/Ameritech.

39. Separate Advanced Services Affiliate Sunset Provisions. The requirements of this Section VII requiring SBC/Ameritech to provide Advanced Services through one or more separate affiliates, as described in this Section shall terminate immediately upon any of the following events:

- a. The date three years after the Merger Closing Date;
- b. The date upon which (1) legislation enacted by the U.S. Congress that specifically prohibits the Commission from requiring incumbent LECs to establish separate affiliates for the provision of Advanced Services becomes law, and (2) the Commission modifies its rules and regulations in a manner that materially changes the substance of what is covered in this Section VII; or
- c. The date upon which a final and non-appealable judicial decision by a court of competent jurisdiction determines that, as a result of one or more of the permitted activities between the incumbent LEC and the separate Advanced Services affiliate described in subparagraphs 27(a)-(e), the separate Advanced Services affiliate must be deemed a successor or assign of the incumbent BOC for the purposes of applying 47 U.S.C. §153 (4)(A). However, such a judicial decision that is based solely on some other conduct of, or relationship between, the incumbent LEC and/or the separate Advanced Services affiliate shall not be a basis for terminating any of the separate affiliate provisions of this Section VII.

40. Upon the date that SBC/Ameritech determines, as a result of one or more of the provisions of Paragraph 39 above, to no longer provide Advanced Services through a separate affiliate in a particular state, then SBC/Ameritech shall be required to comply with the following provisions in that state until the date that is 4 years after the Merger Closing Date:

- a. The line sharing provisions of Paragraphs 33 and 34;
- b. The Advanced Services OSS discount provisions of Paragraph 35;
- c. The SBC/Ameritech retail operations within the incumbent LEC shall use the EDI interface discussed in Paragraph 16, above, for processing a substantial majority of Advanced Services;
- d. SBC/Ameritech retail operations within the incumbent LEC shall only use those OSS for the provisioning of Advanced Services that are available to non-affiliated CLECs;

e. The loop pre-qualification information provisions of Paragraphs 21, 22, 23, and 24;

f. The incumbent LEC shall provide unaffiliated CLECs with the same OI&M services at the customer premises that it provides for its own retail operations with respect to the offering of Advanced Services; and

g. The incumbent LEC shall be required to provide enhanced OSS interfaces for provisioning Advanced Services as discussed in Paragraph 16, above.

VIII. Shared Transport

41. No later than the Merger Closing Date, and until such time, if any, that the Commission enters a final and non-appealable order finding that either local switching or transport is not a UNE nationally or in specific geographic areas, SBC/Ameritech shall, in the Ameritech States, file tariffs, and/or offered amendments containing standard terms and conditions for inclusion in interconnection agreements under 47 U.S.C. § 252, to make available, subject to State Commission Approval, the function of shared transport (as defined in the Third Order on Reconsideration and Further Notice of Proposed Rulemaking, Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, 12 FCC Rcd 12460 (1997)), in conjunction with local switching, on an interim basis as follows:

a. SBC/Ameritech shall not require use of dedicated transport or customized routing to complete all calls using local switching and shared transport. SBC/Ameritech shall make available a modified version of transiting that does not require a dedicated end office integration ("EOI") transit trunk. SBC/Ameritech shall withdraw Ameritech's proposal for the Commission to establish a separate transit service rate to be charged in conjunction with shared transport (as described in Ameritech's March 25, 1999, ex parte filing in CC Docket No. 96-98).

b. Where an end user customer served by a CLEC using SBC/Ameritech's shared transport facilities makes or receives an intraLATA or interLATA call carried by an interexchange carrier, SBC/Ameritech shall collect its relevant access charges from the interexchange carrier. Based upon originating and terminating usage factors, SBC/Ameritech shall then make payment to (or receive payment from) the CLEC based on the difference between the access charges and the applicable charges for the UNEs used by the CLEC to provide the access service.

c. SBC/Ameritech may charge a CLEC using SBC/Ameritech's local switching and shared transport facilities to originate traffic for the CLEC's usage of local switching and a usage-sensitive shared transport rate. The shared transport rate shall be based upon a blend of direct and tandem-routed traffic and either local switch usage at the terminating SBC/Ameritech end office or transiting and applicable termination charges for traffic to a non-SBC/Ameritech end office. SBC/Ameritech shall not charge a CLEC using SBC/Ameritech's local switching for usage at the terminating switch to which the CLEC's traffic is delivered by shared transport facilities. SBC/Ameritech shall not be required to create message records for terminating usage under these Conditions.

d. SBC/Ameritech shall offer to include in its approved interconnection agreements for the Ameritech States a retroactive true-up provision that would become effective upon a state commission's final and unappealable decision modifying either SBC/Ameritech's proposed access charge settlement methodology or SBC/Ameritech's proposed shared transport rate.

42. Within one year of the Merger Closing Date (but subject to state commission approval and future FCC orders regarding the obligation to provide unbundled local switching and shared transport), SBC/Ameritech shall offer shared transport in the Ameritech States under terms and conditions, other than rate structure and price, that are substantially similar to the most favorable terms SBC/Ameritech offers to CLECs in Texas as of July 1, 1999.

IX. Offering of UNEs

43. SBC/Ameritech shall continue to provide UNEs in each SBC State in accordance with the commitments made in the letter from Dale (Zeke) Robertson and Sandy Kinney of SBC to Lawrence E. Strickling, dated February 9, 1999. SBC/Ameritech shall continue to provide UNEs in each Ameritech State in accordance with the commitments made in the letter from Barry K. Allen, of Ameritech, to Mr. Strickling, dated February 11, 1999. See Attachment D. This Section IX shall cease to be effective, with respect to a particular network element, at such time as the Commission or a court has issued a final order (including all rehearings and appeals) on remand from AT&T Corp. v. Iowa Utilities Board, 119 S. Ct. 721 (1999), regarding the provisioning of that element as an UNE. SBC/Ameritech shall have no obligation under this Section to unbundle any network element with respect to which a final Commission Order or binding and non-appealable judicial decision addresses whether unbundling should be required pursuant to 47 U.S.C. § 251, but does not require such unbundling.

X. Compliance with Commission Pricing Rules

44. If the Chief of the Common Carrier Bureau provides SBC/Ameritech written notice of concerns regarding SBC/Ameritech's compliance with the Commission's pricing rules for UNEs including all recurring and non-recurring changes, SBC/Ameritech shall provide the Bureau, within 30 days, documentation addressing the concerns. If the Chief of the Bureau subsequently provides SBC/Ameritech written notice that previously noticed concerns have not been resolved, SBC/Ameritech shall present the Bureau's unresolved concerns to the appropriate state commission(s) and take all necessary steps to comply with the Commission's pricing rules in effect at that time including but not limited to filing of new or existing tariffs. This Section does not impose on SBC/Ameritech any pricing requirements that the Commission does not impose on all incumbent LECs.

XI. Carrier-to-Carrier Promotions

45. As an additional incentive for residential telephone exchange service competition in its local service territories, SBC/Ameritech shall offer the carrier-to-carrier promotions described below in the SBC/Ameritech States. SBC/Ameritech shall implement the requirements of Section XI by providing all CLECs certificated and operating in the relevant states a written offer to amend each CLEC's interconnection agreement to incorporate the applicable carrier-to-

carrier promotions. SBC/Ameritech shall establish necessary internal controls and procedures to ensure that SBC/Ameritech's wholesale business units are responsive to CLECs' requests for carrier-to-carrier promotions.

46. Promotional Discounts on Unbundled Local Loops. For an Offering Window period in the SBC and Ameritech States, SBC/Ameritech shall offer promotional discounted prices on monthly recurring charges for unbundled local loops used in the provision of local service to residential end user customers, ordered after the Merger Closing Date.

a. The Offering Window period for each SBC and Ameritech State shall begin 30 days after the Merger Closing Date and end at the latest of the following: (i) 2 years after commencement of the Offering Window period; (ii) the first date on which SBC/Ameritech is authorized to provide in-region, interLATA services in the relevant State; or (iii) the first date on which SBC/Ameritech provides facilities-based telephone exchange service to at least one customer in each of 15 out-of-region markets pursuant to Paragraph 58 of these Conditions. During the Offering Window, SBC/Ameritech shall respond to all carrier inquiries regarding the promotional discounted prices within 10 business days.

b. SBC/Ameritech shall be under no obligation to provide an unbundled local loop at a promotional discounted price unless the loop is ordered during the Offering Window with a requested installation date of no later than 30 days after the close of the Offering Window. Unbundled loops ordered or in service prior to the start of the Offering Window, or ordered after the end of the Offering Window, shall not be eligible for a promotional discounted price.

c. SBC/Ameritech shall be under no obligation to provide an unbundled local loop at a promotional discounted price ordered before the merger closed or outside the Promotional Period. For the purposes of this Section, the Promotional Period shall be a period of 3 years from the date a qualifying unbundled local loop is installed and operational, or the period during which the loop remains in service at the same location and for the same carrier, whichever is shorter.

d. The promotional discounted prices offered by SBC/Ameritech for unbundled local loops used in the provision of residential telephone exchange service shall be, on average, 25 percent below the lowest applicable monthly recurring price established for the same loop by the relevant state commission pursuant to 47 U.S.C. § 252 as of July 1, 1999. This average discount shall be determined across all geographic areas in all the SBC/Ameritech States, and shall be calculated by assuming that the number of unbundled loops to be provided in each state or geographic area shall be proportionate to the number of residential access lines in that state or geographic area. The specific promotional price, if any, to be offered in a particular geographic area shall be determined by SBC/Ameritech at its sole discretion, consistent with the provisions of this sub-paragraph. The promotional prices established by SBC/Ameritech shall, when considered as a whole, offer larger discounts where the otherwise applicable price established by the relevant state commission is higher, and lesser discounts where the otherwise applicable price established by the relevant state commission is lower.

e. Carriers requesting unbundled local loops at a promotional discounted price shall agree to abide by the following conditions: (i) the loop shall be used to provide

residential telephone exchange service and shall not be used to provide any Advanced Services as defined in Section VII; (ii) the loop shall not be purchased or used as part of a combination with SBC/Ameritech's local switching or the functions and features associated with that switching; and (iii) the loop shall be used in accordance with any other binding conditions imposed under applicable agreements, judicial or administrative decisions, or governing law. Carriers that obtain unbundled local loops at the promotional discounted prices shall, on a quarterly basis, certify to SBC/Ameritech and the appropriate state commission that they are using all unbundled local loops provided at a promotional discounted price in accordance with these conditions. SBC/Ameritech shall have the right to hire, at its own expense, an independent third-party auditor to perform all necessary audits and inspections needed to assure that unbundled local loops provided at a promotional discounted price are used in accordance with conditions (i) and (ii), above. Carriers that obtain unbundled local loops at a promotional discounted price shall agree to cooperate in the performance of such audits and inspections. Audit information will be restricted to SBC/Ameritech regulatory, legal, and/or wholesale personnel, and SBC/Ameritech will prohibit those personnel from disclosing audit-related information to SBC/Ameritech retail/marketing personnel.

f. Any carrier found by the Commission or the appropriate state commission to have violated condition (i) or (ii) of subparagraph e above, shall be ineligible to receive the promotional discounted price on any unbundled local loop for which either condition is violated. In addition, any such carrier shall be ineligible to receive the promotional discounted price on unbundled local loops ordered or installed after the date of such a finding by a state commission.

g. The maximum number of unbundled local loops that SBC/Ameritech shall be required to provide at a promotional discounted price shall be: Illinois – 180,000; Indiana – 62,000; Michigan – 152,000; Ohio – 120,000; Wisconsin – 64,000; California -- 479,000; Nevada -- 10,000; Connecticut -- 68,000; Arkansas -- 30,000; Kansas -- 41,000; Missouri -- 76,000; Oklahoma -- 51,000; Texas -- 275,000. Unbundled local loops installed and made operational at the promotional discounted price after the Merger Closing Date shall be counted toward the maximum number, whether or not they remain in service. The relevant state commission may allocate the maximum number of unbundled local loops eligible for a promotional discounted price in that state between two or more geographic areas within the state.

47. Promotional Resale Discounts. For the Offering Window period defined in Paragraph 49, SBC/Ameritech shall offer promotional resale discounts on telecommunications services that SBC/Ameritech provides at retail to subscribers who are not telecommunications carriers, where such services are resold to residential end user customers. The terms "telecommunications service" and "telecommunications carrier" shall have the same meaning as in 47 U.S.C § 251(c)(4).

a. SBC/Ameritech shall be under no obligation to provide a service for resale at a promotional resale discount unless the service is ordered after the Merger Closing Date and during the Offering Window with a requested installation date of no later than 30 days after the close of the Offering Window for the particular state. Resold services ordered or in service prior to the Offering Window, or placed in service more than 30 days after the end of the Offering Window, shall not be eligible for a promotional resale discount.

b. SBC/Ameritech shall be under no obligation to provide a service for resale at a promotional resale discount outside the Promotional Period. For the purposes of this sub-paragraph, the Promotional Period shall be a period of 3 years from the date a qualifying resold service is installed and operational, or the period during which the resold service remains in service at the same location and for the same carrier, whichever is shorter.

c. The promotional resale discount rate for services resold to residential customers shall be 32 percent off of the retail rate until the latest of: (i) 2 years after commencement of the Offering Window period; (ii) the first date on which SBC/Ameritech is authorized to provide in-region, interLATA services in the relevant State; or (iii) the first date on which SBC/Ameritech provides facilities-based telephone exchange service to at least one customer in each of 15 out-of-region markets pursuant to Section XXII of these Conditions. Thereafter, the promotional resale discount rate for service resold to residential customers shall be 1.1 times the standard wholesale discount rate established for the service by the relevant state commission pursuant to 47 U.S.C. § 252(d)(3), (e.g., if the standard wholesale discount rate in a State is 20%, then the promotional resale discount rate would be 22%). Upon the termination of the initial 32% promotional resale discount rate, this discount rate shall apply automatically to all services eligible for a promotional resale discount, including those services that initially were provided under the 32 percent promotional resale discount.

48. Promotional End-to-End UNE Combinations. For the Offering Window period defined in Paragraph 49, SBC/Ameritech shall offer promotional, end-to-end combinations of UNEs (the "promotional UNE platform") to provide CLECs with residential POTS service and residential Basic Rate Interface ISDN service.

a. SBC/Ameritech shall be under no obligation to provide the promotional UNE platform unless the promotional UNE platform is ordered after the Merger Closing Date and during the Offering Window with a requested installation date of no later than 30 days after the close of the Offering Window. SBC/Ameritech shall not be obligated under the terms of those conditions to provide UNE platforms that are ordered before or after the Offering Window.

b. SBC/Ameritech shall be under no obligation to provide the promotional UNE platform outside the Promotional Period. For the purposes of this sub-paragraph, the Promotional Period shall be a period of 3 years from the date a promotional UNE platform is installed and operational, or the period during which the promotional UNE platform remains in service at the same location and for the same carrier, whichever is shorter.

c. The price for the promotional UNE platform shall be negotiated or established by the appropriate state commission in accordance with the pricing rules that apply to UNEs pursuant to 47 U.S.C. § 252(d)(1). The promotional UNE platform shall not be available in combination with unbundled loops obtained under any other promotion, including the Promotional Discounts on unbundled local loops described in Paragraph 44.

d. Carriers requesting the promotional UNE platform shall agree to abide by the following conditions: (i) the network elements shall be used to provide residential local telephone exchange service; and (ii) the network elements shall be used in accordance with any other binding conditions imposed under applicable agreements, judicial or administrative

decisions, or governing law. Carriers that obtain the promotional UNE platform shall, on a quarterly basis, certify to SBC/Ameritech and the appropriate state commission that they are using these network elements in accordance with the above conditions. SBC/Ameritech shall have the right to hire, at its own expense, an independent third-party auditor to perform all necessary audits and inspections needed to assure that network elements provided as part of the promotional UNE platform are used to provide residential telephone exchange service. Carriers that obtain the promotional UNE platform shall agree to cooperate in the performance of such audits and inspections. Audit information will be restricted to SBC/Ameritech regulatory, legal, and/or wholesale personnel, and SBC/Ameritech will prohibit those personnel from disclosing audit-related information to SBC/Ameritech retail/marketing personnel.

e. Any carrier found by the FCC or appropriate state commission to have violated condition (i) of sub-paragraph d above, shall be ineligible to order or receive the promotional UNE platform after the date of such a finding by a state commission.

49. The Offering Window for both the Promotional Resale Discounts and the Promotional End-to-End UNE Combinations in each state shall begin 30 days after the Merger Closing Date and end for that State at the earlier of the following: (i) 3 years after commencement of the Offering Window period; or (ii) the month following the date when the sum of resold lines in service at the Promotional Resale Discounts plus the quantity of Promotional End-to-End UNE Combinations in service reaches the maximum allowable quantity by State set forth below for each state. Specifically, the Promotional Resale Discounts and Promotional Offering of UNE Combinations will both end when the sum total number of in service lines in the state receiving either of these two promotions exceeds the following number: Illinois – 302,000; Indiana – 104,000; Michigan – 252,000; Ohio – 200,000; Wisconsin – 102,000; California – 799,000; Nevada – 17,000; Connecticut – 114,000; Arkansas – 49,000; Kansas – 68,000; Missouri – 127,000; Oklahoma – 84,000; and Texas – 458,000. In order to provide CLECs with advance planning information, SBC/Ameritech shall provide notice to CLECs when 50 percent and 80 percent of these termination numbers are reached in each of the SBC/Ameritech states. If the Offering Window in a State ends for the Resale and UNE Combinations promotions in a state because the termination numbers listed in this paragraph have been exceeded, SBC/Ameritech shall file notice with the Secretary of the Commission, the relevant state commission and the CLECs operating in that state, within 3 business days after terminating the availability of promotional resale discounts and promotional end-to-end UNE combinations in the State.

XII. Alternative Dispute Resolution

50. In each SBC and Ameritech State, SBC/Ameritech shall implement, subject to the appropriate state commission's approval and participation, an alternative dispute resolution ("ADR") process to resolve carrier-to-carrier disputes, including disputes related to existing and effective interconnection agreements, as described in Attachment E. The ADR process established by this Section is not intended and shall not be used as a substitute for resolving disputes regarding the negotiation of interconnection agreements under Sections 251 and 252 of the Communications Act. The ADR process shall be utilized to resolve interconnection agreement disputes between SBC/Ameritech and the CLEC, at the CLEC's request.

XIII. Most-Favored-Nation Provisions for Out-of-Region and In-Region Arrangements

51. Out-of-Region-Agreements. If a CLEC affiliate of SBC/Ameritech obtains any interconnection arrangement or UNE from an incumbent LEC through arbitration initiated by the SBC/Ameritech out-of-region CLEC under 47 U.S.C. § 252 that had not previously been made available to any other CLEC by that incumbent LEC, then SBC/Ameritech's incumbent LECs shall make available to requesting CLECs in their service areas, through good-faith negotiation, the same interconnection arrangement or UNE on the same terms (exclusive of price). SBC/Ameritech shall not be obligated to provide pursuant to this condition any interconnection arrangement or UNE unless it is feasible to provide given the technical, network and OSS attributes and limitations in, and is consistent with the laws and regulatory requirements of, the state for which the request is made. The price(s) for such interconnection arrangement or UNE shall be negotiated on a state-specific basis and, if such negotiations do not result in agreement, SBC/Ameritech's incumbent LEC shall submit the pricing dispute(s), exclusive of the related terms and conditions required to be provided under this Section XIII, to the applicable state commission for resolution under 47 U.S.C. § 252 to the extent applicable.

52. In-Region Agreements. Subject to the conditions specified in this paragraph, SBC/Ameritech shall make available to any requesting telecommunications carrier in any SBC/Ameritech State any interconnection arrangement or UNE in any other SBC/Ameritech State that was voluntarily negotiated by SBC or any other entity that at all times during the interconnection agreement negotiations was a subsidiary of SBC and that has been made available under an agreement to which SBC/Ameritech is a party and that has been approved after the Merger Closing Date under 47 U.S.C. § 252. Exclusive of price and subject to the conditions specified in this paragraph, such interconnection arrangement or UNE shall be made available to the same extent and under the same rules that would apply to a request under 47 U.S.C. § 252(i), provided that the interconnection arrangement or UNE shall not be available beyond the last date that it is available in the underlying agreement and that the requesting carrier accepts all reasonably related terms and conditions as determined in part by the nature of the corresponding compromises between the parties to the underlying interconnection agreement. The price(s) for such interconnection arrangement or UNE shall be established on a state-specific basis pursuant to 47 U.S.C. § 252 to the extent applicable. This Section shall not impose any obligation on SBC/Ameritech to make available to a requesting telecommunications carrier any terms for interconnection arrangements or UNEs that incorporate a determination reached in an arbitration conducted in the relevant state under 47 U.S.C. § 252. SBC/Ameritech shall not be obligated to provide pursuant to this condition any interconnection arrangement or UNE unless it is feasible to provide given the technical, network and OSS attributes and limitations in, and is consistent with the laws and regulatory requirements of, the state for which the request is made.

XIV. Regional Interconnection and Resale Agreements

53. SBC/Ameritech shall make available and offer to negotiate with any requesting telecommunications carrier an interconnection or resale agreement covering the provision of interconnection arrangements or UNEs in two or more states designated by the requesting telecommunications carrier that are Ameritech States or SBC States. Pricing under such a multi-state agreement shall be established on a state-by-state basis and SBC/Ameritech shall not be under any obligation to enter into any arrangement for a state that is not technically feasible and

lawful in that state. Any agreement negotiated under this Section shall be subject to the state-specific mediation, arbitration, and approval procedures of Section 252. Approval of the agreement in one state shall not be a precondition for implementation of the agreement in another state where approval has been obtained.

XV. Additional Service Quality Reporting

54. Beginning no later than 6 months after the Merger Closing Date and for 3 years following the date of its first report for each SBC and Ameritech State, SBC/Ameritech shall file with the Reporting Management staff of the Commission for the public record, on a quarterly basis, state-by-state Service Quality reports in accordance with the retail service quality reporting recommendations of the NARUC Technology Policy Subgroup "Service Quality White Paper" adopted November 11, 1998. Categories of reporting for retail services include installation and maintenance, switch outages, transmission facility outages, service quality-related complaints, and answer time performance. Reports shall be filed for each state in which SBC/Ameritech operates as an incumbent LEC.

XVI. NRIC Participation

55. SBC/Ameritech shall continue to participate in the Network Reliability and Interoperability Council ("NRIC"), or a successor organization, if any.

XVII. ARMIS Reporting

56. To provide the Commission with additional data for benchmarking purposes, SBC/Ameritech shall continue to report ARMIS data separately for each of its operating companies.

XVIII. Access to Cabling in Multi-Dwelling Unit Premises ("MDUs") and Multi-Tenant Business Premises

57. SBC/Ameritech shall offer to conduct a trial with one or more interested, unaffiliated CLECs in each of five large cities within the SBC/Ameritech States to identify the procedures and associated costs required to provide CLECs with access to cabling within MDUs and multi-tenant premises housing small businesses ("MTUs"), where SBC/Ameritech controls the cables. The trials shall be conducted in accordance with the following terms:

a. In each city, the trial shall include buildings housing, in the aggregate, at least 1,000 residential dwelling units.

b. In at least one city, the trial shall include at least one "campus" of garden apartment dwelling units.

c. In at least one city, the trial shall include at least one MTU.

d. The trials shall provide the CLECs with access at a single point of interface to the cabling that SBC/Ameritech controls. Recabling and reconfiguration required by this Section shall be priced at actual cost. Administrative costs associated with recabling and

reconfiguration shall be priced at cost in accordance with the pricing rules applicable to UNEs under 47 U.S.C. § 251(d)(2).

e. If requested by a CLEC, the first trial shall begin no later than 6 months after the Merger Closing Date. The trials shall be fully deployed within 1 year after the Merger Closing Date. Each trial shall be conducted for a period of not greater than 1 year.

f. SBC/Ameritech shall select trial locations and develop a trial plan with input from its CLEC customers. SBC/Ameritech shall negotiate, upon a CLEC's request, regarding access to those buildings used in a trial after the conclusion of that trial. Taking into account the results of the trials, SBC will negotiate in good faith with CLECs to develop standard agreements and amendments to interconnection agreement that will facilitate single points of interconnection to cabling in MDUs/MTUs on a going-forward basis.

g. Taking into account the results of the trials, SBC will negotiate in good faith with CLECs to develop tariffs and/or interconnection agreement amendments that will facilitate single points of interconnection to cabling in MDUs/MTUs on a going-forward basis.

58. For a period of 3 years after the Merger Closing Date, when SBC/Ameritech is hired to install new cables in a newly constructed or retrofitted single-building MDU or a newly constructed or retrofitted multi-tenant business premises, SBC/Ameritech shall provide the landlord written notice that SBC/Ameritech will, unless the property owner objects, install and provide the new cables in a manner that will permit CLECs a single point of interface. For 3 years after the Merger Closing Date, where SBC/Ameritech owns or controls the cables, SBC/Ameritech shall install and provide new cables in a newly constructed or retrofitted single-building MDU or a newly constructed or retrofitted multi-tenant business premises in a manner that will permit CLECs a single point of interface.

XIX. InterLATA Pricing

59. SBC/Ameritech shall not charge residential consumers a minimum monthly or minimum flat rate charge on interLATA long distance service similar to the charge that is currently assessed by some interexchange carriers. Specifically:

a. SBC/Ameritech shall not charge a minimum monthly or minimum flat rate charge on interLATA services provided to any in-region or out-of-region residential customer within the United States.

b. This Section shall become effective on the first day after the Merger Closing Date, on which SBC/Ameritech either provides interLATA services originating in any SBC/Ameritech State (as defined by 47 U.S.C. § 271(i)(1)), or provides telephone exchange service to residential customers in an out-of-region market pursuant to the local service commitments set forth in Section XXII of these Conditions. This Section shall terminate on the later of (i) 3 years after its effective date, or (ii) 3 years after the first date on which SBC/Ameritech provides telephone exchange service to residential customers in at least 15 out-of-region markets pursuant to the local service commitments set forth in Section XXII of these Conditions.

c. This Section shall not prohibit SBC/Ameritech from passing through to its customers any fees, charges, or taxes (including taxes on SBC/Ameritech's own charges) imposed by federal, state or other governmental entity on SBC/Ameritech as a result of its provision of interLATA services to the end user customer.

XX. Enhanced Lifeline Plans

60. Not later than 30 days after the Merger Closing Date, SBC/Ameritech shall offer by letter to the appropriate state commission in the SBC and Ameritech States (except Ohio) to file a tariff for an enhanced Lifeline plan. Copies of SBC/Ameritech's written offers shall be filed with the Secretary of the Commission. Consistent with applicable state law, the terms and conditions offered by SBC/Ameritech shall be comparable to the terms and conditions of the Ohio Universal Service Assistance ("USA") Lifeline plan set forth in Ameritech Ohio's Alternative Regulation Plan, as in effect on the Merger Closing Date, in the areas of subscriber eligibility, discounts, and eligible services. (See Opinion and Order, Application of the Ohio Bell Tel. Co. for Approval of an Alternative Form of Regulation, Case No. 93-487-TP-ALT, 1994 Ohio PUC LEXIS 956 [Nov. 23, 1994].) Specifically, with respect to discounts, SBC/Ameritech will provide a discount equal to the price of basic residential measured rate service (i.e., access to the network not including any local usage) in each state; provided, however, that the maximum discount to be provided (including all applicable Federal, State and Company contributions) shall not exceed \$10.20 per month. Where, for a particular state, SBC/Ameritech does not offer a basic measured rate service that does not include any local usage to determine the amount of the discount, SBC/Ameritech will determine an estimated price for such a service as a percentage (based on underlying costs) of the most basic service that is offered. If the state commission indicates its acceptance of SBC/Ameritech's offer within 1 year of SBC/Ameritech's written offer, SBC/Ameritech shall file a tariff to implement its offer within 60 days of such acceptance. Subject to the requirements of state and federal law, SBC/Ameritech shall maintain its enhanced Lifeline plan in effect in a State for no less than 3 years following the effective date of the initial tariff required by this Section.

XXI. Out-of-Region Local Services (National-Local Strategy)

61. To ensure that residential consumers and businesses customers timely receive the benefits of SBC/Ameritech's National Local Strategy, SBC/Ameritech shall offer local services in out-of-region markets as follows:

a. SBC/Ameritech shall provide local service, as described in sub-paragraph c of this Section, in 30 markets in which it currently does not operate as an incumbent LEC (the "out-of-region markets"). Each of the 30 markets shall be chosen from the 50 out-of-region markets listed in Attachment F.

b. The initial deployment deadlines for the 30 markets shall be as follows:

- Closing Date.
- (1) In the Boston, Miami, and Seattle markets, 1 year after the Merger Closing Date.
 - (2) For 12 additional out-of-region markets (chosen from the markets

listed in Attachment F by SBC/Ameritech at its sole discretion), 18 months after the Merger Closing Date.

(3) For the remaining 15 out-of-region markets (chosen from the markets listed in Attachment F by SBC/Ameritech at its sole discretion), the later of: (i) 30 months after the Merger Closing Date, or (ii) 60 days after the date upon which SBC/Ameritech first holds valid authorization to provide originating voice and data interLATA services to at least 60 percent of all access lines (as reported under the Commission's Part 43 rules) served by SBC/Ameritech's incumbent LECs.

c. SBC/Ameritech shall have fulfilled all requirements of this Section if, for each of the 30 out-of-region markets, it meets each of the following service requirements:

(1) No later than the initial deployment deadline for the market, SBC/Ameritech shall install a local telephone exchange switch or otherwise obtain local telephone exchange switching capability from a party other than the incumbent LEC in that market. A switch used by an affiliate (as defined in 47 U.S.C. § 153(1)) of SBC/Ameritech to provide cellular service in an out-of-region market shall not satisfy this requirement.

(2) No later than the initial deployment deadline for the market, SBC/Ameritech shall provide facilities-based local exchange service to at least one unaffiliated business customer or one non-employee residential customer in that market. For purposes of this Section, "facilities-based service" shall mean service provided by SBC/Ameritech utilizing its own switch or utilizing switching capability from a party other than the incumbent LEC or SBC/Ameritech's cellular affiliate in that market.

(3) No later than 1 year after the initial deployment deadline for the market, SBC/Ameritech shall have collocated facilities (using physical, virtual, or other types of collocation) in at least 10 wire centers in that market that can be used to provide facilities-based service to customers served by those wire centers.

(4) No later than 1 year after the initial deployment deadline for the market, SBC/Ameritech shall offer facilities-based local exchange service to all business and residential customers served by wire centers in that market where SBC/Ameritech is collocated.

(5) No later than 1 year after the initial deployment deadline for the market, SBC/Ameritech shall offer local exchange service through a combination of resale, unbundled network elements, and facilities-based service to all business and residential customers throughout the areas in that market that are within (i) the local service area of the incumbent RBOC located within the area defined by the Office of Management and Budget as the Primary Metropolitan Statistical Area ("PMSA") of the market, and (ii) the incumbent service area of a Tier 1 incumbent LEC serving at least 10 percent of the access lines in the PMSA. Subject to SBC/Ameritech's compliance with sub-paragraphs (2) and (4) of this sub-paragraph c, SBC/Ameritech may provide service under this paragraph using any means chosen by SBC/Ameritech at its sole discretion.

d. If SBC/Ameritech fails to satisfy all requirements set forth in sub-

paragraph c. of this Section for a particular out-of-region market, SBC/Ameritech shall make a one-time contribution of \$40 million for that market (up to a total contribution of \$1.2 billion, if SBC/Ameritech is in non-compliance in all markets) to a fund to provide telecommunications services to underserved areas, groups, or persons. Any such fund shall be established and managed by the state (including the District of Columbia) public utilities commission(s) having jurisdiction over the relevant market(s), if said state commission(s) accept such role. Where a payment is required for a market for which such a fund has not been identified by the state public utilities commission, payment shall be made to a public interest fund designated by the Commission. Where a market includes more than one state, any contribution shall be apportioned to each affected state in proportion to the percentage of all access lines within the PMSA that are within the state. Payments made by SBC/Ameritech under this subsection shall not be reflected in the revenue requirement of an SBC/Ameritech incumbent LEC.

e. At the request of SBC/Ameritech, a deadline established by this Section may be extended by the Commission for a particular out-of-region market for a period equal to any period during which satisfaction of the relevant requirement in the relevant market was rendered impossible or infeasible by a force majeure event or Act of God. In the event that SBC/Ameritech seeks an extension of time under this sub-paragraph, SBC/Ameritech shall file with the Commission, on or before the relevant deadline, a verified statement of the specific grounds on which payment is not required and SBC/Ameritech's proposed extension schedule. SBC/Ameritech's filing shall constitute compliance with the relevant deadline pending Commission resolution of SBC/Ameritech's request.

XXII. Verification of Compliance

62. SBC/Ameritech shall establish a Compliance Program as follows:

a. SBC/Ameritech shall appoint a corporate officer to oversee SBC/Ameritech's implementation of, and compliance with, these Conditions; to monitor SBC/Ameritech's compliance program and progress toward meeting the deadlines specified herein; to provide periodic reports regarding SBC/Ameritech's compliance as required by these Conditions; to ensure that payments due under these Conditions are timely made; and to consult with the Commission on an ongoing basis regarding SBC/Ameritech's compliance with these Conditions. The audit committee of SBC/Ameritech's Board of Directors shall oversee the corporate compliance officer's fulfillment of these responsibilities. The requirements of this Subsection shall remain in effect until all other Conditions of this Appendix have expired.

b. Not later than 60 days after the Merger Closing Date, SBC/Ameritech shall submit to the Audit Staff of the Commission's Common Carrier Bureau (for review and comment), a plan for compliance with these Conditions. The compliance plan shall be afforded confidential treatment in accordance with the Commission's normal processes and procedures. A letter providing notice of the filing shall be filed the same day with the Secretary of the Commission for the public record.

c. Following the Merger Closing Date, SBC/Ameritech shall submit to the Audit Staff and file for the public record (except for materials for which confidential treatment is requested) an annual compliance report detailing SBC/Ameritech's compliance with these

Conditions during the preceding calendar year. This annual compliance report shall be submitted no later than March 15 (or the first business day thereafter) of the calendar year following the year covered by the report. A report shall be filed for each calendar year in which SBC/Ameritech is subject to obligations under other Sections of this Appendix. The annual compliance report shall address SBC/Ameritech's compliance with these Conditions and the sufficiency of SBC/Ameritech's internal controls for complying, and shall be prepared in a format substantially similar, in relevant respects, to the format of the independent auditor's section of the audit report described in sub-paragraph d, below.

d. SBC/Ameritech shall, at its own expense, annually engage an independent auditor to verify SBC/Ameritech's compliance with these Conditions. SBC and Ameritech shall jointly engage an independent auditor for this purpose prior to the Merger Closing Date. The independent auditor shall be acceptable to the Commission and shall not have been instrumental during the past two years in designing substantially all of the systems and processes under review in the audit, viewed as a whole. An independent auditor's report shall be filed for each calendar year in which SBC/Ameritech is subject to obligations under other Sections of this Appendix, provided that no report shall be due if that report would cover a portion of a calendar year that is less than 60 days. In that event, the period of less than 60 days shall be audited in the report covering the subsequent calendar year, if any. The independent auditor's report shall be prepared and submitted as follows.

(1) Not later than 45 days after the Merger Closing Date, SBC/Ameritech shall submit preliminary audit requirements, including the proposed scope of the audit and the extent of compliance and substantive testing, to the Audit Staff. The preliminary audit requirements shall be afforded confidential treatment in accordance with the Commission's normal processes and procedures. SBC/Ameritech shall consult with the Audit Staff regarding changes to the preliminary audit requirements, but Commission approval shall not be required. An agreed upon procedures engagement audit shall be used to audit SBC's compliance with the condition requiring SBC/Ameritech to provide Advanced Services through a separate affiliate per the provision of Section VII, and SBC/Ameritech and the Commission shall be the only specified users. An examination engagement audit shall be used to audit compliance with all other conditions. For purposes of these conditions, an agreed upon procedures engagement audit means that the Commission Staff and SBC/Ameritech must both consent to the audit methods and procedures to be used, and that the Auditor must accept those methods and procedures. In the event such mutual consent cannot be obtained, an independent third party panel of auditors will be selected to arbitrate any dispute.

(2) During the course of the audit, the independent auditor shall inform the Audit Staff of any revisions to the audit program; notify the Audit Staff of any meetings with SBC/Ameritech in which audit findings are discussed; and consult with the Common Carrier Bureau regarding any accounting or rule interpretations necessary to complete the audit. The independent auditor shall notify SBC/Ameritech of any consultation with the Common Carrier Bureau regarding accounting or rule interpretations.

(3) The independent auditor shall have access to books, records, and operations of SBC/Ameritech that are necessary to fulfill the audit requirements of this Section.

The independent auditor shall notify SBC/Ameritech's compliance officer of any inability to obtain such access. The auditor may notify the Audit Staff if access is not timely provided after notification to the compliance officer.

(4) The independent auditor may verify SBC/Ameritech's compliance with these Conditions through contacts with the Commission, state commissions, or SBC/Ameritech's wholesale customers, as appropriate.

(5) No later than September 1 (or the first business day thereafter) of the year following the calendar year covered by the audit, the independent auditor shall submit its final audit report to the Audit Staff. The structure of the report shall be as specified in 47 C.F.R. Part 53 and the Accounting Safeguards order. The report shall be made publicly available.

(6) The independent auditor's section of the audit report shall include a discussion of the scope of the work conducted; a statement regarding SBC/Ameritech's compliance or non-compliance with these Conditions; a statement regarding the sufficiency of SBC/Ameritech's internal controls for complying with these Conditions; a statement regarding the accuracy of SBC/Ameritech's annual compliance report for the year covered by the audit; a statement regarding the timeliness and accuracy of the notices provided to the Commission pursuant to specific notification requirements of these conditions; a statement regarding the accuracy and completeness of the performance data provided to CLECs and regulators under these Conditions; and a description of any limitations imposed on the auditor in the course of its review by SBC/Ameritech or other circumstances that might affect the auditor's opinion.

(7) For 2 years following submission of the final audit report, the Commission shall have access to the working papers and supporting materials of the independent auditor at a location in Washington, D.C. that is selected by SBC/Ameritech and the independent auditor. Copying of the working papers and supporting materials shall be limited and any copies made by the Commission shall be returned to SBC/Ameritech no later than 2 years following submission of the final audit report. Copies and notes made by the Commission based upon its review of the working papers and supporting materials shall be kept confidential by the Commission.

(8) Not later than 60 days following submission of the final audit report, SBC/Ameritech and the Audit Staff shall meet and confer regarding changes to the detailed audit program for the subsequent year's audit.

XXIII. Enforcement

63. The specific enforcement mechanisms established by these Conditions do not abrogate, supersede, limit, or otherwise replace the Commission's enforcement powers under the Communications Act. The payments for non-performance specifically required by these Conditions, to which SBC/Ameritech has voluntarily agreed, are payments in the public interest and are not penalties, forfeitures or fines.

64. If the Commission makes a determination that SBC/Ameritech has during the effective period of a Condition failed to comply with that Condition, the Commission may, at its

discretion, extend the effective period of that Condition for a period that does not exceed the period during which SBC/Ameritech failed to comply with the Condition. If the failure to comply that causes the Commission to extend a Condition also has had the effect of denying a person or entity access to a facility or service or the intended benefit required to be provided under another of these Conditions, the Commission may, in its discretion, extend the period during which SBC/Ameritech is required to comply with the other Condition for a period that does not exceed the period during which access to the facility or service or intended benefit was unavailable.

65. SBC/Ameritech shall be strictly obligated to make the payments for non-performance specifically required by these Conditions, and no showing of a willful violation shall be necessary in order to enforce such payments. SBC/Ameritech shall not be liable for any payments, however, if the Commission grants a waiver request filed by SBC/Ameritech in which SBC/Ameritech will have the burden of proof to demonstrate that the failure to meet a condition was caused by a force majeure event or an Act of God.

66. Except as otherwise provided in these Conditions, SBC/Ameritech shall make payments due under these conditions within 10 business days of a determination by SBC/Ameritech's compliance officer, the Commission, or an arbitrator, that payment is due. If the Commission or a state commission has not taken an action to designate or administer a fund that is required in order for SBC/Ameritech to make a payment required under these conditions, SBC/Ameritech shall make its payment into an interest bearing escrow account pending such action. If SBC/Ameritech's obligation to make a payment is disputed by SBC/Ameritech, SBC/Ameritech shall make the disputed payment into an interest bearing escrow account within ten business days of the date the payment was due. Within 10 business days of making a payment of a disputed amount into escrow, SBC/Ameritech shall file with the Commission a verified statement of the grounds on which payment is not required. Subject to rights of rehearing and appeal, the escrowed payments (including any accrued interest) shall be returned to SBC/Ameritech or paid to the appropriate fund in accordance with the final and non-appealable Commission or judicial order resolving the dispute.

67. The Commission may in its discretion, upon a request and showing of SBC/Ameritech, grant extensions of deadlines established by these Conditions.

XXIV. Sunset Provisions

68. Except where other termination dates are specifically established herein, all Conditions set out in this Appendix shall cease to be effective and shall no longer bind SBC/Ameritech in any respect 3 years after the Merger Closing Date, unless the Commission orders that a Condition or Conditions be extended for noncompliance reasons in accordance with Section 63 above.

XXV. Effect of the Conditions

69. The Commission recognizes that various offerings and initiatives required by these Conditions, including but not limited to the carrier-to-carrier promotions, OSS requirements, and performance monitoring conditions, may substantially duplicate requirements

imposed in connection with the merger under state law. These Conditions shall supplement, but shall not be cumulative of, substantially related conditions imposed under state law. Where both these Conditions and conditions imposed in connection with the merger under state law grant parties similar rights against SBC/Ameritech, affected parties shall not have a right to invoke the relevant terms of these Conditions in a given state if they have invoked a substantially related condition imposed on the merger under state law. For example, carriers requesting unbundled local loops for residential service under promotional terms offered pursuant to state approval of the merger would not also be able to invoke the promotional discounts on unbundled loops required by these Conditions. Furthermore, any unbundled local loops provided by SBC/Ameritech for residential service under a substantially similar merger-related PUC imposed promotion in a given state would be deducted from the number of unbundled local loops required to be provided in that State under Section 17(a)(7) of these Conditions. This Section shall not limit the Commission's powers to enforce these conditions or the reporting requirements of SBC/Ameritech under these Conditions.

70. When considering a request by SBC/Ameritech for in-region, interLATA authority under 47 U.S.C. § 271, the Commission – in view of the public interest benefits inherent in compliance with the requirements of 47 U.S.C. § 271(d)(3) – shall not consider the possible expiration of any of the above Conditions per the terms of this Appendix to be a factor that would render the requested authorization inconsistent with the public interest, convenience, and necessity.

ATTACHMENT A

FEDERAL PERFORMANCE PARITY PLAN

1. SBC/Ameritech shall provide the Commission with performance measurement results, on a quarterly basis, demonstrating SBC/Ameritech's monthly performance provided to the aggregate of all CLECs in each of SBC/Ameritech's 13 states. SBC/Ameritech shall also provide the Commission with access to SBC/Ameritech's Internet website, where the Commission can obtain performance measurement results demonstrating SBC/Ameritech's monthly performance provided to the aggregate of all CLECs. SBC/Ameritech shall provide the CLECs with access to SBC/Ameritech's Internet website, where each CLEC can obtain performance measurements demonstrating SBC/Ameritech's monthly performance provided to it on an individual basis, and to the aggregate of all CLECs.

2. SBC/Ameritech's implementation of the Plan does not limit either the Commission's or the States' authority regarding performance monitoring, in the context of applications for in-region, interLATA relief under 47 U.S.C. § 271 or otherwise.

3. The performance measurements, benchmarks, liquidated damages and voluntary payments structure, and statistical methods utilized in the Plan were based upon those developed in the Texas collaborative process involving SBC/Ameritech's application for in-region interLATA relief, except as follows:

- (a) The Plan utilizes a standard statistical calculation for calculation of the z-value for benchmarks;
- (b) The Plan requires payments to be made on Measurement #2d at the Low level, while in the Texas plan no payments are made on this measurement;
- (c) The benchmark for Measurement #5 in the Plan does not require the average of the remainder to be within 20% of the benchmark;
- (d) Measurement #13 in the Plan includes additional disaggregation for LNP and LNP with loop;
- (e) The benchmark for Measurement #14 is 99% in the Plan, and 99.5% in the Texas plan;
- (f) A benchmark is included for Measurement #15 in the Plan, but is yet to be determined in the Texas plan;

4. Any changes in the design of these measurements must be approved by the Commission. SBC/Ameritech and the Commission shall jointly review the 20 measurements on an annual basis, to determine whether measurements should be added, deleted, or modified.

Performance Measurements

5. The Plan shall consist of 20 measurements of performance that may have a direct and immediate impact upon a CLEC's end user customer. The 20 performance measurements are designed to demonstrate whether SBC/Ameritech is providing parity or benchmark performance to each CLEC. See Attachment A-1 for a list of the 20 performance measurements, and Attachment A-2 for a description of the definitions, exclusions, business rules, levels of disaggregation, calculation, and reporting structure for each of the 20 performance measurements.

6. Where SBC/Ameritech provides a CLEC a service that has a retail analog, the performance SBC/Ameritech provides to its own retail operations shall be compared with the performance SBC/Ameritech provides to the CLEC to determine if parity exists. Where SBC/Ameritech provides a CLEC a service for which there is no retail analog, the performance SBC/Ameritech provides to the CLEC shall be compared with a benchmark.

7. Generally accepted statistical analyses – i.e., modified Z-tests and a critical Z-value – shall be utilized to determine whether SBC/Ameritech is in parity or has met the benchmark. See Attachment A-3 for a description of how these statistical analyses shall be used.

Liquidated Damages and Voluntary Payments

8. The Plan shall consist of a 3-tiered system of liquidated damages payments to the CLEC(s) and voluntary payments to a designated public interest fund, with per state and total company monthly caps in each of the 3 years after the Merger Closing Date. The 20 performance measurements are categorized as being in either the High, Medium, or Low payment level. See Attachment A-4 for a list of the 20 performance measurements and the payment level that applies each year for Tiers 1-3. See Attachment A-5 for the liquidated damages table and voluntary payments table setting forth the level of payments for measurements categorized as High, Medium, and Low. See Attachment A-6 for the per state monthly caps that apply each year for Tiers 1-3.

Tier 1 – Under Tier 1, SBC/Ameritech shall pay liquidated damages directly to a CLEC each month in each state SBC/Ameritech fails to provide parity or benchmark performance on any measurement, as determined by use of the modified Z-tests and a critical Z-value. Liquidated damages shall be paid on a per occurrence basis for measurements listed in Schedule A of Attachment A-1 and on a per measurement basis for measurements listed in Schedule B of Attachment A-1, with the exception of the Common Transport Trunk Blockage and the OSS Interface Availability measurements for which only voluntary payments to a designated public interest fund shall be made. Liquidated damages shall be calculated on those measurements where SBC/Ameritech has failed to provide parity or benchmark performance exceeding the K value. If SBC/Ameritech fails to provide parity or benchmark performance for the same measurement two or more months in a row, the amount of liquidated damages payable on a per occurrence or per measurement basis shall increase each month up to and including the 6th month. If SBC/Ameritech fails to provide parity or benchmark performance for the same measurement in the 7th or any succeeding month, the per occurrence or per measurement amount

payable in month 6 shall apply. See Attachment A-4 for a table of the liquidated damages payable on a per occurrence and per measurement basis each month.

There shall be a \$5.56 million monthly cap and \$66.67 million annual cap in the first year; a \$8.33 million monthly cap and \$100 million annual cap in the second year; and a \$13.89 million monthly cap and \$166.67 million annual cap in the third year after the Merger Closing Date on the total amount of liquidated damages SBC/Ameritech shall be liable for under Tier 1, which shall be apportioned among SBC/Ameritech's 13 States based upon access lines. See Attachment A-6 for the Tier 1 liquidated damages that shall apply in each State unless and until a State adopts a state plan that provides for liquidated damages payments to CLECs. The amount of liquidated damages payable to a CLEC each month under Tier 1 of this Plan shall be offset by the sum of (1) the amount of liquidated damages paid to that CLEC each month under the state plan, and (2) the amount of liquidated damages paid to that CLEC each month under the terms of that CLEC's interconnection agreement with SBC/Ameritech.

No CLEC is entitled to receive more than 10% of the monthly cap on liquidated damages in each State, subject to a true-up each month.

Tier 2 – Under Tier 2, SBC/Ameritech shall make voluntary payments to a designated public interest fund if SBC/Ameritech fails to provide parity or benchmark performance to the aggregate of all CLECs in any state on any measurement for either (1) 3 consecutive months, or (2) 6 months or more in a calendar year, as determined by use of the modified Z-tests and a critical Z-value. Voluntary payments shall be made on a per occurrence basis for measurements listed in Schedule A of Attachment A-1 and on a per measurement basis for measurements in Schedule B of Attachment A-1, depending upon the payment level of the measurement in Attachment A-4 and the amounts set forth in Attachment A-5. The voluntary payments shall be calculated on the rolling average of occurrences or measurements, as appropriate, where SBC/Ameritech has failed to provide parity or benchmark performance for 3 consecutive months. If SBC/Ameritech fails to provide parity or benchmark performance for 6 or more months in a calendar year, the voluntary payments shall be calculated on the average number of occurrences and/or measurements where SBC/Ameritech has failed to provide parity or benchmark performance for that calendar year. Provided, however, that if SBC/Ameritech fails to provide parity or benchmark performance for 6 or more months in a calendar year and makes a voluntary payment for a failure to provide parity or benchmark performance for any 3 consecutive months during that same calendar year, SBC/Ameritech shall be given a credit for that voluntary payment in the calculation of the voluntary payments due on the total number of months SBC/Ameritech fails to provide parity or benchmark performance.

There shall be a \$5.56 million monthly cap and a \$66.67 million annual cap in the first year; a \$8.33 million monthly cap and \$100 million annual cap in the second year; and a \$13.89 million monthly cap and \$166.67 million annual cap in the third year after the Merger Closing Date on the total amount of voluntary payments SBC/Ameritech shall be liable for under Tier 2, which shall be apportioned among SBC/Ameritech's 13 States based upon access lines. Tier 2 voluntary payments shall apply in each State unless and until a State adopts a state plan that provides for payments to the State. In that event, the amount of the voluntary payments made

under Tier 2 of this Plan shall be offset by the amount of the payments made to the State under the state plan.

Tier 3 – Under Tier 3, SBC/Ameritech shall make voluntary payments to a designated public interest fund if SBC/Ameritech fails to provide parity or benchmark performance to the aggregate of all CLECs on any measurement for either (1) 3 consecutive months, or (2) 6 months or more in a calendar year, as determined by use of the modified Z-tests and a critical Z-value. Voluntary payments shall be made on a per occurrence basis for measurements listed in Schedule A of Attachment A-1 and on a per measurement basis for measurements in Schedule B of Attachment A-1, depending upon the payment level of the measurement in Attachment A-4 and the amounts set forth in Attachment A-5. The voluntary payments shall be calculated on the rolling average of occurrences or measurements, as appropriate, where SBC/Ameritech has failed to provide parity or benchmark performance for 3 consecutive months. If SBC/Ameritech fails to provide parity or benchmark performance for 6 or more months in a calendar year, the voluntary payments shall be calculated on the average number of occurrences and/or measurements where SBC/Ameritech has failed to provide parity or benchmark performance for that calendar year. Provided, however, that if SBC/Ameritech fails to provide parity or benchmark performance for 6 or more months in a calendar year and makes a voluntary payment for a failure to provide parity or benchmark performance for any 3 consecutive months during that same calendar year, SBC/Ameritech shall be given a credit for that voluntary payment in the calculation of the voluntary payments due on the total number of months SBC/Ameritech fails to provide parity or benchmark performance.

There shall be a \$5.56 million monthly cap and a \$66.67 million annual cap in the first year; a \$8.33 million monthly cap and \$100 million annual cap in the second year; and a \$13.89 million monthly cap and \$166.67 million annual cap in the third year after the Merger Closing Date on the total amount of payments SBC/Ameritech shall be liable for under Tier 3, which shall be apportioned among SBC/Ameritech's 13 States based upon access lines.

9. Performance measurement results for each month shall be available to the CLECs on the 20th day of the following month. If SBC/Ameritech becomes liable for payment of liquidated damages to the CLECs or voluntary payments to the designated public interest, such payments shall be made 30 days after the performance measurement results become available.

10. SBC/Ameritech shall not be liable for the payment of liquidated damages to a CLEC or voluntary payments to a designated public interest fund if SBC/Ameritech's failure to provide parity or benchmark performance is caused by an Act of God, or a *force majeure* event. If SBC/Ameritech determines through "root cause analysis" that it failed to provide parity or benchmark performance for any reason listed above, SBC/Ameritech may seek a waiver from the Commission relieving SBC/Ameritech from payment of liquidated damages to a CLEC or voluntary payments to a designated public interest fund, with the burden of proof on SBC/Ameritech to make the required showing. If SBC/Ameritech seeks such a waiver, SBC/Ameritech shall place the liquidated damages or voluntary payments at issue into an interest bearing escrow account. If SBC/Ameritech fails to carry its burden of proof, the amount of liquidated damages or voluntary payments paid into the escrow account, including any accrued interest, shall be remitted to the CLEC or the designated public interest fund. If

SBC/Ameritech carries its burden of proof, the amount of liquidated damages or voluntary payments paid into the escrow account, including any accrued interest, shall be returned to SBC/Ameritech.

11. After the Merger Closing Date, SBC/Ameritech shall offer to include the Plan's system of Tier 1 liquidated damages in SBC/Ameritech's interconnection agreements with the CLECs in all of SBC/Ameritech's 13 States where the State has not adopted its own liquidated damages plan. The interconnection agreements shall provide that SBC/Ameritech and the CLECs mutually agree that any liquidated damages paid under the Tier 1 system will not be considered as an admission against interest or an admission of liability in any legal, regulatory, or other proceeding relating to the same performance. SBC/Ameritech's conduct underlying its performance measurements and the performance data provided under the performance measurements are not made inadmissible by these terms. The interconnection agreements shall further provide that acceptance of liquidated damages by a CLEC shall not foreclose the CLEC from initiating other legal and regulatory causes of action or claims; provided however, that in the event a CLEC initiates other legal or regulatory causes of action or claims and SBC/Ameritech is held liable for damages or other monetary payments for a failure to provide parity or benchmark performance for which the CLEC has already accepted liquidated damages, SBC/Ameritech is given a credit for the amount of liquidated damages it has paid to the CLEC related to the same performance.

12. Tier 2 and Tier 3 voluntary payments shall not be reflected in the revenue requirement of an SBC/Ameritech incumbent LEC.

13. The measurements and benchmarks under the Plan bear no relationship to the standard of performance that satisfies SBC/Ameritech's legal obligations in a particular State, and payments under the Plan shall not constitute an admission by SBC/Ameritech of any violation of law with respect to the provision of service to SBC/Ameritech's wholesale or retail customers.